Austria	Sch22	Indonesia	Rp3100	Portugal	Esc120
Bahrain	Din0.650	Israel	IS3.50	S.Arabia	Rls7.00
Belgium	BFr48	Italy	L1700	Singapore	S$4.10
Canada	C$1.00	Japan	Y600	Spain	Pta145
Cyprus	C£0.90	Jordan	Fils500	Sri Lanka	Rup30
Denmark	DKr10.00	Kuwait	Fils500	Sweden	SKr9.00
Egypt	E£2.25	Lebanon	$L125.00	Switz.	SFr2.30
Finland	Fmk7.00	Lux	LFr48	Taiwan	NT$65
France	FFr6.50	Malaysia	Rlo4.25	Thailand	Bht50
Germany	DM2.30	Mexico	Pes300	Tunisia	Din0.800
Greece	Dr120	Morocco	Dh6.00	Turkey	L600
Hong Kong	HK$12	Neth	Fl3.00	UAE	Dh6.50
India	Rup15	Norway	Nkr10.00	USA	$1.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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UN CASH CRISIS

Washington keeps wolf from the door

Page 16

World News

Four killed as SA troops end Lesotho bus hijack

Three hijackers and a schoolgirl hostage were killed in the Lesotho capital of Maseru last night when South African commandos stormed a seized bus with 69 pilgrims aboard. Eleven people were injured in the gunbattle, which took place about 20 minutes after Pope John Paul arrived in Maseru.

The four hijackers had demanded a meeting with the Pope, whose arrival in Lesotho was delayed by eight hours when bad weather forced the diversion of his aircraft to South Africa.

Pretoria said earlier that it had moved its commandos into Lesotho at the request of Maseru. Papal detour into S Africa, Page 3

Iraq agrees to talks

Iraq agreed to attend a Gulf peace meeting at the United Nations in New York, putting to rest doubts whether talks would continue.

French jobs plan

A six-part programme to promote employment, costing up to FFr10,000bn ($1,612bn), was adopted by the French Government. Page 2

Israel accuses Paris

Israel accused France of breaking its word by having Foreign Minister Roland Dumas meet Palestine Liberation Organisation leader Yassir Arafat for the first time on French soil yesterday. Meanwhile, at a news conference at the Europeam Parliament in Strasbourg, Mr Arafat said he was ready to meet anyone from Israel to try to solve the Arab-Israeli conflict. Arafat plea, Page 2

Beirut link closed

The Lebanese Army closed the only road link across divided Beirut after rival Christian and Moslem gunmen took positions there, prompting fears of violence ahead of a presidential election next week.

EC flood aid

The European Community is donating more than 100,000 tonnes of food to Bangladesh for distribution to millions of flood victims.

Turkey bans UN visit

The Turkish Foreign Ministry said it would not allow a proposed visit by United Nations experts to investigate allegations that Iraq used chemical gas against dissident Kurds. Page 3

Ramstein toll rises

A 19-year-old man died overnight of injuries he suffered at last month's Ramstein air show crash, raising the number of dead to 62, a local official said.

Airbus pilot fired

The pilot of a brand new Air France Airbus that crashed at an airshow in June with the loss of three lives has been fired, the French national airline said.

Shooting denial

A British commando denied at the inquest into the fatal shooting of three Irish nationalist guerrillas last March that they raised their hands in surrender before being shot. Inquest, Page 7

Walesa meeting

Solidarity leader Lech Walesa will meet Interior Minister Czeslaw Kiszczak today. Page 2

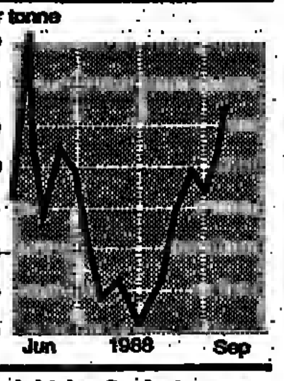
Business Summary

Playtex to be sold for $1.3bn in new buy-out

PLAYTEX, the big US underwear, haircare and personal products manufacturer acquired by management less than two years ago in a $1.25bn leveraged buyout, is to undergo another buyout for $1.3bn. Page 17

COPPER, boosted by sentiment from the New York Commodity Exchange where stocks have fallen heavily, touched eight month highs. Grade A copper for immediate delivery closed at £1,471.50 ($2,486) a tonne in London. Page 36

Copper



FEARS that New York is pricing itself out of the job market have resurfaced with the news that Chase Manhattan, a major employer, is considering moving about one quarter of its staff out of the city. Page 18

STANDARD CHARTERED, the London-based international bank trying to recover from heavy losses, launched a long-awaited rights issue for £303m ($512m): Page 17

BP FRANCE, a subsidiary of British Petroleum, is to carry out drastic restructuring, cutting back its refining operations and focusing on retail sales, in order to stem growing losses. Page 18

COLGATE-PALMOLIVE, the big US consumer products company which has been reshaping its business, has announced the sale of Kendall, its hospital and health care supply company, to management and investors for $950m. Page 18

NEWMONT Australia, a 75 per cent owned unit of Newmont Mining, said it had doubled estimates of mineable ore reserves at its Telfer gold mine in Western Australia, to 2.9m ounces. Page 18

JOHN WALTON, president and chief executive of Placer Dome, the world's largest gold producer outside South Africa and the Soviet Union, has resigned five weeks after the year-old company reported disappointing earnings. Page 18

NEW ZEALAND Government is considering a public flotation of Bank of New Zealand, the state-controlled commercial bank, rather than the previously mooted sale to a single buyer. Page 19

HONG KONG securities regulators announced changes to the rules governing listed companies as part of the continuing clean-up campaign on the local stock market. Page 19

ESSELTE, the Swedish office automation and supplies group, is bidding for the outstanding shares in Enström, a domestic rival in the office equipment arena, with an offer which values Enström at about SKr450m ($70.3m). Page 20

ASCOM, the Swiss communications-technology group, expects turnover and order volume to rise by 10 per cent this year after "gratifying" first-half results. Page 20

GLAVERBEL, the leading producer of flat glass in the Benelux countries, confirmed forecasts made in May by announcing a more than 20 per cent rise in consolidated sales. Page 20

Moscow banks on London high finance know-how

By David Lascelles, Banking Editor, in London

MR MIKHAIL GORBACHEV, the Soviet leader, is reaching deep into the citadels of capitalism in his drive for perestroika.

This week, a top level Soviet banking delegation is in the City of London to observe the art of high finance. Loan-making, accountancy, central banking, insurance, cheque clearing, credit cards, bullion dealing and even financial futures, are all being carefully absorbed to reform Russia's creaking banking system, where even the cheque is virtually unknown.

The 10-man delegation is headed by Mr Ivor Levchuk, deputy chairman of the State Bank (Gosbank), and Mr Vladimir Sitnin, the deputy Minister of Finance. Its other members are senior executives from most of the Soviet Union's leading banks.

According to the British Invisible Exports Council, which is helping to sponsor the visit in the hopes of selling a good deal of UK financial expertise, it is the biggest fact-finding mission the Soviets have put together since they embarked on financial reform.

So far, they have called on the clearing and merchant banks. Today, they visit firms of accountants and lawyers, and tomorrow it is the financial futures exchange, the Bank of England and Lloyd's insurance market.

Mr Gorbachev's reforms aim to break the monopoly of the State Bank by setting up many more banks. He also wants to introduce financial discipline into the Soviet economy by forcing enterprises to qualify for loans and to pay realistic rates of interest. There is to be western-style accounting, including the notion of bankruptcy which is unheard of in the Soviet Union.

According to British officials and bankers who are accompanying the delegation on its rounds, the Soviets are interested in three areas:

● How to make credit judgments about borrowers. At the moment finance is doled out by bureaucrats, interest rates are low, and failure to repay is widely disregarded. The Soviets want to train bank managers who can also make sound loans – and chase them up

Continued on Page 16

Sharply reduced US trade deficit sends dollar, bonds higher

By Anthony Harris in London and Janet Bush in New York

THE US trade deficit fell sharply in July, prompting a sharp rally in the dollar yesterday and rises in US stocks and bonds.

According to figures released by the US Department of Commerce yesterday, the deficit narrowed to a seasonally adjusted $9.5bn in July compared with a $12.7bn shortfall in June, revised up from the $12.54bn total previously reported.

Imports fell by $3.5bn in July from the abnormally high June level, a far sharper improvement than markets expected.

The components of yesterday's trade report, which included a decleration in exports and a substantial fall in imports, was seen in the financial markets as the best possible mix.

On the New York Stock Exchange, the Dow Jones Industrial Average closed 17.60 points higher at 2,100.64 in a day which saw steady, if undramatic buying, in heavy volume.

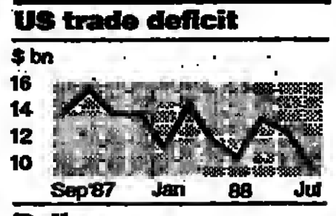
US bond prices jumped a full point in an immediate reaction to the trade news but then dipped back to close around 1/2 point higher.

The dollar remained in demand throughout the New York trading day and closed near its highs for the day despite intervention by the US Federal Reserve.

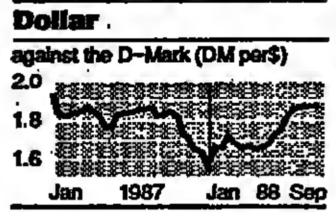
The advance in bond prices was dampened partly by news that the Organisation of Petroleum Exporting Countries's pricing committee is to meet later this month in a bid to cut oil production and partly by news of a larger than expected rise in US industrial production in August.

The Federal Reserve released figures showing production

US trade deficit



Dollar



had risen by 0.2 per cent last month following a 1 per cent increase in July.

The 5.3 per cent increase in real output in the 12 months to August was largely due to export demand, the Fed said.

Bond traders, who were also concerned about the inflationary impact of a sustained rally in oil prices, felt the industrial production figure went some way towards counterbalancing the evidence in the trade figures of a deceleration in the US economy.

The healthy trade and output trends apparent in yesterday's figures are seen as likely to help Vice President George Bush in his presidential campaign. Mr William Verity, US Commerce Secretary, hailed the trade figures as "great news."

The trade figures show the fall in imports was spread over all commodity groups. Manufactured imports in July were $2.6bn down on June but almost exactly average for the first six months of the year.

Manufactured exports were $1.7bn down from June but were also some $1bn below the 1988 average, but growing order books suggest a recovery in future months.

For the first time in some years, the department also published trade figures on a balance of payments basis in addition to the usual basis on which imports include carriage and insurance costs, but exports do not. This will become the standard reporting basis from March next year.

On this basis, the July deficit was a seasonally adjusted $8bn. It appears that there has been no underlying growth in imports since the beginning of this year. This confirms the flat trend shown in the quarterly balance of payments figures published earlier this month by the Bureau of Economic Analysis.

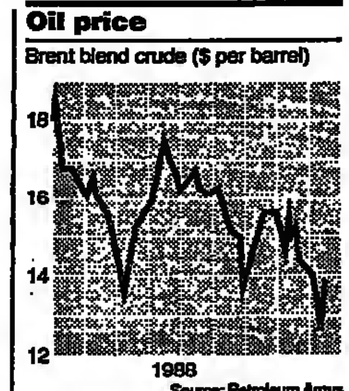
The commodity breakdown suggests that a sharp slowdown in car imports is a significant part of the explanation for the fall in imports.

Exports appear to have reached a plateau over the latest three month period, as shown in the three month moving average, but stand more than 21 per cent higher than in the same period last year. Exports of manufactured goods were up by more than 25 per cent year on year with especially strong rises in aircraft and electrical machinery.

The dollar closed in New York at Y134.20, above the day's low of Y133.35, and at DM1.8765 compared with an earlier low of DM1.8467 and a peak just after the trade figures of DM1.8797. The Fed apparently intervened quite aggressively when the dollar was threatening to rise above DM1.88.

Editorial comment, Page 14; Lex, Page 16; World stock markets, Section II

Oil price



Oil prices rise as Opec plans quota talks

By Max Wilkinson in London

OIL PRICES rose strongly on the spot and futures markets yesterday, after the Organisation of Petroleum Exporting Countries announced that a meeting of its special pricing committee is to be held on September 25.

The announcement was seen in the markets as another attempt by Opec to persuade members to stop exceeding the cartel's self-imposed production quotas.

Last month, industry estimates put Opec's crude production at about 20m barrels per day, including Iraq's production. This is some 2m b/d more than would be needed to bring supply and demand close to balance and push prices back towards the $18 per barrel range which remains Opec's official target.

Yesterday the price of Brent North Sea crude rose 63 cents to $14.21 per barrel, while on the New York Mercantile Exchange, the price of crude for November delivery had risen about 70 cents by the early afternoon to $15.16 per barrel.

Crude prices have fallen by more than $1.50 since the beginning of the month as a reflection of the continued high levels of production by Opec members and widespread discounting of prices.

Pearson links up with Elsevier in share exchange

By Raymond Snoddy in London

PEARSON, the British-based publishing and industrial group, yesterday entered a strategic relationship with Elsevier, the Dutch publishing group, involving an exchange of shares and the possibility of an eventual merger.

Lord Blakenham, chairman and chief executive of Pearson, publishers of the Financial Times, yesterday described the deal as an "engagement" and Mr Pierre Vinken, chairman of Elsevier, the third largest Dutch publishing group added: "We want to get married as soon as possible."

Pearson shares fell 25p on the day to 679p.

Elsevier publishes the influential quality Dutch daily NRC Handelsblad and the weekly Elsevier news magazine.

Both sides emphasised that moves towards closer union would be gradual and would depend on the success of collaborative ventures.

Under the agreement Pearson has issued 21.2m new ordinary shares to Elsevier, representing 8.7 per cent of the enlarged share capital. In exchange Elsevier has issued 9.8m new shares, which represents 15.4 per cent of its enlarged share capital.

The value of the new Pearson shares at the current share price is £143.9m ($230m).

City analysts saw the agreement as a defensive measure by both companies against potential predators.

Until yesterday's small dilution of his stake, Mr Rupert Murdoch's News International held around a 20 per cent stake in Pearson. Mr Robert Maxwell, chairman of Maxwell Communication Corporation confirmed yesterday he was still sitting on a 10 per cent stake in the Dutch publisher.

Lord Blakenham denied that the Elsevier alliance was a response to Mr Murdoch.

"This transaction has not been done in a spirit of thwarting anyone. It is totally positive," Lord Blakenham said.

The transaction means that a potential block of "friendly" shareholders could approach 40 per cent, making a hostile takeover more difficult.

Apart from Pearson family interests, such a potential grouping could include Elsevier, the 9.9 per cent stake held by Mr Michel David-Weill, a Pearson non-executive director, and the small stake held by Madame Beytout, president of Les Echos, the French financial newspaper company now controlled by Pearson.

"We don't believe there is any question of concert parties," said Lord Blakenham, a practice that would be against the rules of the Takeover Panel.

Mr Murdoch has given an undertaking to the Panel that he will not mount a hostile takeover bid for Pearson before next January unless there are "material changes" in the circumstances of Pearson.

The Takeover Panel believes yesterday's agreement is unlikely to be considered "a material change."

The two companies see opportunities for collaboration in scientific publishing, where Elsevier is the world's largest post-graduate scientific information publisher, medical publishing, where Pearson is strong, and financial and business information.

Mr Frank Barlow, chief executive of the Financial Times who has known Mr Vinken, a neuro-surgeon, for some years, said yesterday that a number of business newspaper publishing ventures would be explored.

One possibility was jointly acquiring or launching a business newspaper in the Netherlands. The Financial Times might also consider an additional European printing site

Continued on Page 16
Background, Page 17

IMF seeks imbalance remedy

By Philip Stephens, Economics Correspondent, in London

THE IMF yesterday called on governments of the of the world's three major economies to reinforce efforts to reduce international trade imbalances. Its annual report said that, without further policy action, the imbalances would still be unsustainably large over the medium term. A sustained narrowing of the US trade gap required continuing action by Washington to reduce the Federal budget deficit. US monetary policy policy should be directed at keeping inflationary pressures in check. Despite a welcome acceleration in Japan's growth rate, further efforts were required by Tokyo to reduce its huge trade surplus. West Germany needed to tackle vigorously the structural rigidities hampering its growth and so slowing the erosion of its trade surplus. The IMF's most recent forecasts suggest that, although the trade imbalances will narrow significantly this year, the process will slow in 1989.

Details, Page 6

Seoul makes overture to North

By Maggie Ford in Seoul

PROVISIONAL agreement for the first meeting between the leaders of North and South Korea since formal partition in 1953 has been given by President Roh Tae Woo of South Korea.

He said yesterday that he would agree to a summit with President Kim Il Sung of North Korea provided the North did not disrupt the Olympic Games due to open in Seoul on Saturday. The meeting would be confirmed after the Games.

President Kim said last week that he wished to meet Mr Roh to discuss a non-aggression pact along with national reunification on the basis of a confederated state.

The South Korean Government said yesterday that the talks should be on a broad range of subjects and not limited to federation. No formal peace treaty has been signed between the two governments since the Korean War ended in 1953. North Korea has been under increasing pressure to improve its relationship with the South and change its strongly independent attitude since its two main allies, China and the Soviet Union, agreed to attend the Olympics.

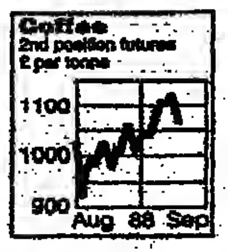
Earlier this week Hungary and South Korea agreed to exchange permanent missions, though not to open full diplomatic relations, in a move which could also weaken the North's support in the Eastern bloc.

General Louis Menetrey, Commander of the US forces in South Korea, said yesterday that international co-operation to avert terrorism combined with a relaxation of concern about threats from North Korea should produce a secure Olympics. He was confident every precaution had been taken to deter any international groups which might try to use the Games to stage a terrorist incident.

Higher hurdles, Page 15

MARKETS

Coffee



STERLING
New York close
$1.679 (1.695)
London:
$1.675 (1.697)
DM3.1475 (3.14)
FFr10.7025 (10.6775)
SFr2.6525 (2.646)
Y225.5 (226)

DOLLAR
New York close
DM1.87625 (1.85375)
FFr6.385 (6.3075)
SFr1.5815 (1.5675)
Y134.175 (133.4)
London:
DM1.879 (1.85)
FFr6.39 (6.2925)
SFr1.5835 (1.559)
Y134.5 (133.25)

GOLD
New York close: Comex Dec $428 (432.2)

INTEREST RATES
US lunchtime:
Federal Funds 8 1/8% (same)
3-mth Treasury Bills: yield: 7.36% (7.393)
Long Bond: 101 1/8 (100 1/2)
yield: 8.95% (9.026)
London:
3-month interbank: close 12% (12 1/4)

STOCK INDICES
New York close
Dow Jones Ind. Av. 2,100.64 (+17.6)
S&P Comp 269.29 (+1.86)
London:
FT-SE 100 1,765.1 (+8.6)
World:
124.74 (Tues)
Tokyo:
Nikkei Ave 27,605.67 (+11.51)
Frankfurt:
Commerzbank 1,535.2 (+14.9)

OIL
Brent 15-day (Argus) $14.205 (+0.63)
West Tex Crude $15.315 (+0.85)

CONTENTS

Release of W German hostage strengthens Genscher's hand

The freeing of the West German hostage, Mr Rudolf Cordes, in Beirut has not only extracted Bonn from an acute political dilemma. It has also boosted the image of Foreign Minister, Mr Hans-Dietrich Genscher Page 2

EUROPEAN NEWS

Ashley Ashwood

Genscher: *he was able to put his contacts in the Middle East to good use*

Cordes coup likely to strengthen Genscher's hand at home

By David Marsh in Bonn

THIS week's freeing of Mr Rudolf Cordes, the West German businessman held hostage in Beirut for 20 months, has not only extracted the Bonn *government from an acute* policy dilemma over handling international terrorism.

The release of Mr Cordes, who was seized by a fundamentalist Shiite group in January 1987 to try to trade free an alleged Lebanese terrorist currently on trial in Frankfurt, has also enhanced the well-nurtured image of Mr Hans-Dietrich Genscher, the Foreign Minister.

He has pulled off a diplomatic coup by turning to benefit his array of per*sonal contacts with Middle East gov*ernments. One result may be to fortify Mr Genscher's domestic political position at a time when his Free Democratic Party, the junior partner in the Bonn coalition, is abont to undergo an unsettling change of leadership.

The FDP votes in three weeks' time to choose as new chairman either Mr Otto Lambsdorff, the former Economics Minister, or Mrs Irmgard Adam-Schwaetzer, Minister of State in the Foreign Office. Whoever is elected, Mr Genscher, who enjoys high popularity within and outside his party, has a good chance of remaining the FDP's prime electoral force.

Bonn officials say the outcome of *the hostage saga marks a distinct suc*cess for the Federal Republic's brand of "quiet diplomacy" in dealing with Iran and Syria, the two countries with links to the Beirut kidnappers.

The Genscherite style, Bonn officials say, contrasts favourably with the more confrontational policies adopted by both the US and Britain in their relations with Iran. Mr Genscher's stance of keeping up relations with Iran during the long Gulf war, at a time when Tehran was virtually a pariah for other Western countries, seems, on the surface at least, to have paid off handsomely.

The trial of Mohammed Ali Hamadei, accused of helping to hijack a US airliner in 1985 and murdering one of its passengers, is going ahead normally.

Partly because of Mr Genscher's own reputation for delicate diplomatic dealing, however, questions are bound to be asked, both in West Germany and abroad, whether Bonn has in fact made secret concessions with the hostage-takers.

Mr Genscher, a firm supporter of building bridges with the Soviet bloc, sporadically runs into criticism from other Western capitals claiming either *that he is too soft on Moscow or even* that he is fundamentally devious.

The full story of exactly why and how Mr Cordes came to be released on Monday night has certainly not been told. A multiplicity of official and unofficial contacts in the Middle East by the Bonn government, West German political parties (including the Social Democrat Opposition), and various individuals contribnted to the success.

Mr Genscher and Mr Wolfgang Schäuble, the Chancellery Minister who accompanied Mr Cordes back from Damascus on Tuesday night, have both denied any payment of ransom by the Bonn government.

Mr Cordes works for the Hoechst chemicals group. It cannot be ruled out that private industry has paid a ransom to the kidnappers. Bonn officials deny any knowledge of private payments. But, even if industry paid over a few million D-marks, they say the main point is that West Germany has made no political concessions.

Hopes of progress imbue talks on Cyprus

By Andriana Ierodiaconou in Athens

THE LEDRA Palace Hotel, on *the military Green Line which* divides Nicosia into Greek and Turkish sectors, is musty, and there are echoes of unsuccessful peace negotiations past.

Nevertheless, the new round of United Nations-sponsored talks which begins at the defunct hotel today is being billed by Western diplomats as the most promising opportunity for a negotiated end to the division of Cyprus since 1974.

Then, a military coup staged by the Athens junta on the island republic prompted the occupation of the northern 37 per cent of its territory by Turkey.

Hopes for prgress rest on two factors. The first is the actual negotiating procedure to be followed, at once leaner, more to the point and more intensive than any other recent attempt.

The core negotiating team will consist of just two men: Mr George Vassiliou, president of Cyprus since last February, representing the Greek Cypriot community, and Mr Rauf Denktash, head of the self-styled state declared in northern Cyprus in 1983, and so far recognised only by Ankara, for the Turkish Cypriots.

The general scheme, agreed at a preliminary meeting in Geneva last month, is for the two leaders to embark on an intensive schedule of meetings in the presence of the UN Secretary General's special representative in Cyprus, Mr Oscar Camillon, with the aim of hammering out a political agreement on a settlement by June 1989.

Discussions will focus on substantive issues, something they have not done since 1977, when Mr Denktash and the late Archbishop Makarios agreed that the basis for a settlement should be a bizonal federal Cypriot state.

Vassiliou's pragmatism has concentrated the minds of the Turkish Cypriots

These issues will only be referred to joint committees of experts after agreement on their key aspects have been reached on the political level.

The second factor is the winds of political change blowing through both the Greek and Turkish Cypriot camps.

Mr Vassiliou, until his election a highly successful businessman, has injected a new pragmatism into the peace process which has given grounds for optimism regarding the Greek Cypriots' readiness to countenance a compromise Cyprus settlement and in turn concentrated the minds of the Turkish Cypriot side.

The peace process is lent a further important impetus, diplomats believe, by the recent rapprochement between Greece and Turkey, whose future Athens has predicated upon progress towards a Cyprus settlement.

In that good relations with Greece are vital to Ankara's objectives of strengthening relations with the European Community, Turkey, perhaps for the first time since 1974, has an incentive to work towards solving the Cyprus problem.

The two leaders' first task this week will be to identify the key issues for discussion.

Mr Denktash is expected to raise the issues of political equality and bizonality, particularly in connection with ensuring the physical security and economic well-being of the Turkish Cypriot minority vis-a-vis the majority Greek Cypriot community.

Mr Vassiliou will dwell on the withdrawal of the Turkish troops and settlers present in Cyprus since 1974, on the question of the freedom to move, settle and own property in the proposed bizonal federation, and the issue of guarantees ensuring the Greek Cypriots' physical security.

The two leaders are expected to report back to the UN Secretary General in November.

Soviet demand grows for foreign currency market

By Quentin Peel in Moscow

A GROWING number of Soviet economists are calling for the creation of a domestic foreign currency market, as an essential first step towards the ultimate creation of a convertible rouble.

The organised exchange of foreign currency earnings between individual Soviet enterprises, which are being granted increasing independence under Mr Mikhail Gorbachev's economic reforms, would help fix a realistic exchange rate for the rouble, they say.

The debate has brought into the open a discussion on the real value of the Soviet currency, grossly over-valued in its fixed official exchange rate, *but traded for one-sixth of that* rate or less on the black market.

Economists believe that the realistic rate would be between half and one third of its current level, which fixes it at just under 1.1 roubles to the pound, or some 0.60 to the US dollar.

They argue that by allowing Soviet enterprises to buy and sell foreign currency inside the country, they would automatically give it a more realistic value.

This, they say, would start the undoubtedly traumatic process of bringing the rouble back into the world *economy.*

"Today, the official exchange rate of the rouble reflects practically nothing, and regulates practically nothing," according to Mr Boris Fyodorov, an econ*omist at the Institute of World* Economics and International Relations.

He called for the present system, under which every industrial sector and even individual enterprise is allocated foreign exchange according to a foreign currency "co-efficient" – in effect, at a multiple of the official rate – to be replaced by a regular auction.

A similar proposal was put forward yesterday by economist Svetlana Kuznetsova, of the International Institute for the Study of the Problems of World Socialist Systems.

The official government line is that a fully convertible rouble can only be contemplated towards the end of the next decade, but independent economists seem to be getting *increasingly impatient.*

Rocard ushers in Socialist programme to boost jobs

By Ian Davidson in Paris

A *SIX-PART* programme to promote employment, costing np to FFr10hn (£935m) and including a significant easing of the procedural obstacles to foreign investment, was adopted by the French Government yesterday.

The political priority attached by the new Socialist government to the jobs issue is symbolically underlined by the fact that Mr Michel Rocard, the Prime Minister, has seen to it that his name is identified with the new package of measures, not the non-Socialist Labour Minister, Mr Jean-Pierre Soisson.

The package includes cuts in taxation and social security contributions paid by companies, the channelling of low-cost loans to small and medium-sized companies, and the strengthening of training and youth employment schemes.

In addition the Government will remove all procedural obstacles to the setting up of companies in France by foreign investors. At present foreign investors from onteide the European Community who wish to set up a company in France have to lodge with the Finance Ministry a prior declaration of intent, and the Finance Ministry may oppose the project.

In principle foreign investors from other Community countries are free to set up in France, but they still have to make a declaration with the Finance Ministry to prove their Community status.

In future the Government will dispense with any prior declaration to the Finance Ministry for the establishment of new companies, though the takeover of French companies by foreigners will continue to be subject to existing procedural restrictions.

Describing the scale of the jobs promotion package as "unprecedented", Mr Claude Evin, government spokesman, stressed that it was intended to mobilise the energy of the country and provide an economic stimulue for employment, not just a social treatment for the unemployed. He was allnding to the proliferation of youth training and work experience schemes.

The major financial components in the package are a cut in corporation tax on re-invested profits, from 42 to 39 per cent, which will cost FFr4bn; and a reduction in employers' contributions to the family allowances fund from 9 to 7 per cent of wage costs, spread over two years, which will cost FFr3bn.

The unemployment problem is particularly acute in France because of its unfavourable demographic profile. Although the current unemployment rate in France of around 10.5 per cent is not far from the European average, France stands ont among European countries in facing a continuing increase in the size of its work force in the years ahead.

Berlusconi seeks China TV deal

By Alan Friedman in Milan

MR Silvio Berlusconi, the Milanese private television magnate who last May won an exclusive three-year contract with Moscow to handle all European corporate advertising on Soviet television, is negotiating with the authorities in Peking to win a similar deal in China.

The talks are said to be at an advanced phase, but in Milan yesterday Mr Berlusconi's Fininvest group said it could not predict the outcome. Negotiations are being handled by executives from Pubblitalia, the advertising arm of Mr Berlusconi's television empire.

The Moscow deal will represent the first time advertising is carried on Soviet television but the Chinese have already carried commercial spots for the consumer products of various multinational companies operating from Peking.

"Today the official exchange"

"I am very worried about our economic future," Mr Bildt

and Progress" that will be broadcast over three channels every 15 days and will feature institutional spots for companies such as Britain's ICI and Italy's Montedison. The Soviet advertising is being prepared by Pubblitalia in conjunction with the Milan office of Saatchi and Saatchi.

In a separate development, it emerged yesterday that Mr Berlusconi has signed a letter of intent with Hungarian television to begin producing advertising in Budapest.

Mr Berlusconi's advertising begins in the Soviet Union next month with a 15-minute programme called "Information

Anti-Mafia inquiries to re-start

By John Wyles in Rome

THE Consiglio Superiore della Magistratura, the self-governing body of the Italian magistracy, made an heroic effort yesterday to put anti-Mafia investigations in Palermo back on their feet after a damaging six-week public row between top magistrates there.

With the Council apparently irreparably divided on Tues*day evening,* a *working group* successfully drafted overnight a set of conclusions which were unanimously adopted yesterday.

They are a triumph of Ital*ian mediation, substantially* upholding the complaints of Mr Giovanni Falcone, Italy's most celebrated anti-Mafia hunter in Palermo, without ever putting his chief investigating magistrate, Mr Antonio Meli, in the wrong.

The question which everyone will now want answered is whether Mr Falcone will withdraw the letter of resignation and request for a transfer out of Palermo which he sent to the CSM in July. If Mr Falcone goes, then most of the other 8 or 9 members of his anti-Mafia "pool" in Palermo are expected to follow him.

Conscious that this would be a grievous blow to the legal battle which is scarcely holding the line against organised crime in Sicily, the CSM report gives considerable justice to Mr Falcone's complaints that Mr Meli was undermining the anti-Mafia pool's work by passing Mafia investigation to inexperienced magistrates and by seeking to involve Mafia experts in other work.

The Falcone case was first publicly articulated by a former member of the Palermo pool, Mr Paolo Borsellino who claimed that the pool was being effectively dismantled and the anti-Mafia fight set back by 20 years or more. Whereas a CSM sub-committee in early August concluded that Mr Borsellino's charges were unfounded, yesterday'c conclusions acknowledged that they had signalled "a real problem". The conflicting views of both Mr Meli and Mr Falcone were both "valid" said the report, which, adds, however, that there was no real attempt to dismantle the pool.

The CSM says that to the contrary, the pool should be strengthened and that "the most important investigations of Mafia crime should be entrusted to the group of magistrates which is already organised and operating."

By adding that the present working structure in Palermo must be "safeguarded" and that the Mafia specialists should "largely" deal with Mafia work, the CSM treads a difficult line between offering its own guarantees of protection for Mr Falcone and his colleagues while underlining Mr Meli's right to allocate criminal investigations as he sees fit.

Arafat in plea for West Bank backing

By William Dawkins in Strasbourg

MR Yassir Arafat, chairman of the Palestine Liberation Organisation, yesterday called on European governments to back his efforts to form a provisional government for the Israeli-occupied West Bank and Gaza Strip.

His appeal, at the end of a controversial two-day visit to the European Parliament, was seen as an at least partly successful attempt by the PLO leader to attract international support to bolster his personal authority in the fragmented organisation.

It won the warm support of Mr Karolos Papoulias, the Greek Foreign Minister, who will try to persuade his Community colleagues to back Mr Arafat's campaign at what looks set to be a divided EC meeting in Greece on October 15-16.

However, Mr Roland Dumas, French Foreign Minister, gave a more cautious welcome and Britain is likely to be even more cautious.

The Palestine National Council, the PLO's main policy-making body, is due to meet next month to debate the options for the formation of a Palestinian state in the occupied territories, Mr Arafat told reporters.

Two choices would be presented to the meeting. First, the formation of a state under United Nations mandate following Israeli withdrawal from the territories, which depends on the optimistic assumption that Israel would be ready to withdraw unilaterally. The second is the establishment of a provisional Palestinian government under Israeli occupation, which depends in part on Mr Arafat's skill in winning over factions in the *PLO.*

"I am wondering whether Europe will actually recognise a provisional government if that is the path chosen by the PNC. It is a very important question – and I am still working to try to find an answer," said Mr Arafat.

While the PLO leader's remarks contained little new, parliamentary observers saw his visit as a diplomatic success.

Eric Silver adds from Jerusalem: Israel protested yesterday at the meeting between Mr Dumas and Mr Arafat, the first encounter beween a French minister and Mr Arafat on French soil, though similar meetings have taken place elsewhere. Israeli officials fear it may prove a precedent for other West European governments.

Turkey fears increased EC protectionism

By David Buchan in Istanbul

FEAR of increased European Community protectionism towards Third World countries after 1992 has emerged as a key motive for Turkey's application to join the 12-nation trading bloc.

Dr Ali Bozer, the minister in charge of Turkey's relations with the EC, yesterday forecast to a meeting here of European and Turkish businessmen that, after the planned achievement of its single market in five years, the Community will raise customs duties towards the outside world.

Therefore, Dr Bozer said, Turkey had to follow "step by step the establishment of the EC single market and take the necessary measures to adapt to it." Evidently, the Turkish Government does not take at face value the Brussels denial that 1992 will lead to "Fortress Europe."

Ankara is thus pressing its membership bid before, as it believes, the fortress's drawbridge is pulled up and the tariff walls built higher.

In the current absence of regular official relations with the EC, the Turkish Government is setting up its own studies of aspects of the 1992 programme, particularly in services, transport, technical standardisation and indirect tax harmonisation, Dr Bozer said.

But he also expressed the hope of a new rapprochement with the European Parliament, which in protest at Turkey's past record on human rights, had suspended meetings with Turkish legislators since 1980.

Walesa in fresh talks

MR Lech Walesa, the Solidarity leader, today meets Gen Czeslaw Kiszczak, Poland's Interior Minister, in another attempt to persuade the authorities to soften their opposition to the return of the banned trade union to the shop floor, writes Christopher Bobinski in Warsaw.

The meeting will be attended by Roman Catholic Bishop Jerzy Dabrowski and Mr Stanislaw Ciosek, a member of the party leadership. Today's meeting is designed to prepare the ground for a conference the authorities want with opposition figures to discuss the country's future.

Mr Walesa has been arguing that he will only join in if the authorities intimate they are ready to recognise his union. Officials have suggested that agreement today could lead to another round of talks on Friday with Gen Kiszczak.

Malta finds West slow to come forward

By Godfrey Grima in Valletta

FORGING closer affinities with the West is proving a more daunting task than imagined for Dr Eddie Fenech Adami, the Maltese premier who meets Mrs Margaret Thatcher, his UK counterpart, in London today.

Fellow Christian Democrats in Europe, to whom he looks for support, have not been quite as forthcoming as expected, following the change in government in Malta, in offering their snpport for Malta's European aspirations.

At his meeting with Mrs Thatcher, Dr Fenech Adami will be discreetly discouraged from counting too much on Britain's backing for Malta's intended application for membership of the European Community. He said in London earlier this week that his government would make such an application by 1990.

Malta, the British argument rims, would be better off developing its relations with the Community on the basis of her existing Association Agreement, signed in 1970 and modified, with gratifying results for Malta, six years later.

Britain also finds Malta's constantly improving relations with Libya disquieting. The setting up of a joint radio station with Libya in Valletta and the elimination of visas and passports for travel between both countries announced on September 1, while Libyan leader Col Muammar Gadaffi was celebrating his 19th anniversary in power, have raised eyebrows in a number of West European chancelleries.

There have been other radical policy shifts. Dr Fenech Adami's ruling Nationalist Party, which was set against endorsing Malta's neutral status in 1986, helped enshrine neutrality and non-alignment in tha Maltese constitution shortly before the May 1987 general election and is now an active member of the non-aligned movement.

In dealing with Malta, several Community members would much rather a formal bid for full membership was not made for the moment. This would explain the lobbying being carried ont by the United States with West European government on Malta's behalf. For the Reagan administration, Mr Fenech Adami's government makes a welcome change from the decidedly anti-American Malta Labour party leadership.

Paradoxically, the Americans are tending to play down Dr Fenech Adami's growing friendship with Libya and appear little perturbed by the elimination of visa requirements between Malta and Libya and the launching of the jointly run radio station.

Yet the prospects of direct involvement by the US government in stepping up the flow of US industrial investments in Malta remain dim, though the recent offer by Malta of a new investment incentives package may eventually pay dividends.

Despite its many problems, the island's economy this summer showed encouraging signs of picking up with export and tourist receipts growing stronger and an additional 1,800 jobs being created in the last year. Liberalising the economy remains a slow process, however. Most of the economic structures created by the Socialists are still in place.

Vital institutions remain tightly controlled by ministers and political decisions take a painstakingly long time to materialise.

Swedish right waits for its meeting with destiny

Robert Taylor meets the leader of Sweden's Moderate Party, burdened by history with a back seat

MR Carl Bildt, the 39-year-old leader of Sweden's Moderate Party, is a man burdened with what might look like an impossible problem – how to make conservative values popular in a country that was dominated by Social Democracy long before he was born.

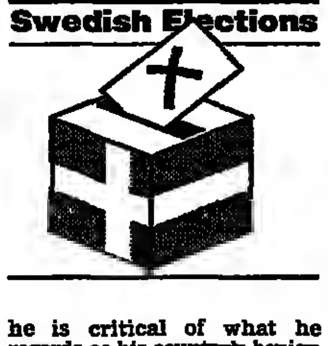
In this year's lack-lustre and parochial general election campaign, where the party leaders seem to have spent most of their time haggling over the size of the tax cuts they promise to make if they win power, he at least has been trying to widen the agenda and talk about the future of Sweden beyond the close of the polls next Sunday.

Whether most Swedes are in the mood to listen to what he has to say is another matter. Certainly the opinion poll evidence does not suggest Mr Bildt is making much of a favourable impact. Leader of the Moderates for the past two years, he strikes many voters as a rather serious, unprepossessing figure who still looks disconcertingly like a student rather than a weighty national politician.

But in an interview while flying to Umea in northern Sweden at the weekend, he displayed a thoughtful, often incisive grasp of the realities of his country's present predicament. In the dreamy glow of an Indian summer, however, it is hard to turn public attention to what seem to be unfashionable pessimistic thoughts, particularly as the economy appears to be booming.

"I am very worried about our economic future," Mr Bildt argues. He talks anxiously about the relatively low growth rate, of the movement of Swedish investment into western Europe and the lack of a corresponding flow of foreign investment into Sweden. "Our recovery in the Eighties was based on the traditional sectors of industry like cars and pulp, but we are losing out in the potential high growth sectors such as biotechnology," he laments.

Mr Bildt does not disguise his enthusiasm for the European Community. He hopes Swedeo will join one day, believing the country's neutrality would not be incompatible with such a move. An expert on defence and foreign policy,



he is critical of what he regards as his country's benign neglect of its armed services in recent years. Conscious of Sweden's strategic position in northern Europe, he looks with a pessimistic eye at the growing instability inside the Soviet bloc, particularly in the Baltic states, and the impact this will have on the Nordic area.

He denies strongly that the Moderates, like the other non-left parties, have to assimilate themselves into a Social Democratic consensus, making it difficult to establish a distinctive approach. Indeed, Mr Bildt claims that the ruling Social Democrats have moved right and towards the Moderates in recent years. "They have lost the initiative in ideas," he claims. "The Social Democrats no longer enjoy the hegemonic power in this country that they used to have."

He talks enthusiastically about long-term shifts in the electorate, with a growing Moderate appeal among young voters in the more prosperous areas of the country. His party stresses personal initiative, a private choice in the health service through insurance vouchers for everybody, the privatisation of Sweden's tiny state-owned industries and, above all, tax cuts for everybody to stimulate enterprise.

"We are the radicals now," declares Mr Bildt, describing his party as more right-wing than the West German Christian Democrats, although not as far to the right as the British Conservatives.

But his party has not confronted the welfare state as dramatically as it did three years ago in the 1985 general election. On that occasion Olof Palme and the Social Democrats were able to exploit with considerable success fears that the Moderates were intent on destroying the social justice and solidarity that still lie at the heart of Swedish politics. The Moderate campaign with its mass rallies and American-style glitter failed to impress the voters.

This time, under Mr Bildt, it has adopted a calmer and more rational approach. But in spite of this, he has seen his party's poll rating drop from 21.3 per cent in the 1985 election to only about 17 per cent of the vote, according to the latest opinion surveys. The Moderates' individualistic message has failed to spread very far yet. However, neither of their allies in what is known in Sweden as the "bourgeois block" – the Liberals and the Centre Party – have done any better this time either.

Last week the frustrations erupted into an unseemly public wrangle over rival tax plans between the Liberal leader Mr Bengt Westerberg and his Centre counterpart Mr Olof Johansson. Mr Bildt found himself acting in the unfamiliar role of peacemaker as the opposition block tried to mend their fences.

But he admits that what happened was "disastrous" and could well have dashed any hope of them winning Sunday's election, reviving memories among the voters about the unstable bourgeois block coalitions that ruled Sweden from 1976 and 1982 and suggesting that they would behave no better if they came back to power next week.

Mr Bildt is convinced nonetheless that history is moving Sweden rightwards, if only slowly. Facing the probability of defeat on Sunday, he can draw comfort from that belief. Yet, as Lord Keynes once remarked: "In the long run we are all dead." It is not much solace for the Swedish right to know that at some time in the future they will have their overdue rendezvous with destiny.

Moreover, as Mr Bildt knows only too well, the Social Democrats (unlike the British Labour Party) have an uncanny habit of absorbing hostile trends and turning them to their own advantage. It is not too far-fetched to see today's Moderate ideas being carried through by future Social Democratic governments.

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OVERSEAS NEWS

Turkey bans UN test of chemical gas allegations

By Thomas Goltz in Ankara

THE TURKISH foreign ministry said yesterday it would not allow a proposed visit by United Nations experts to investigate allegations that Iraq used chemical gas against dissident Kurds.

Ankara said it would, however, accept a visit to the estimated 100,000 Kurdish refugees in Turkey by an international humanitarian organisation such as the Red Cross.

A Turkish refusal to accept UN experts could deal a fatal blow to the chances of an independent investigation by the organisation. Iraq has already indicated it is unlikely to accept a visit from a UN investigation team.

Mr Inal Batu, the Turkish Foreign Ministry spokesman, said: "To accept such a team of experts to inspect the temporary settlement camps in Turkey would suggest that the research conducted by Turkish doctors was insufficient."

He said: "Wa trust our experts and to send an alternative team to conduct the same research would lead to misunderstanding. Thus if an official offer (from the UN) is made, our response will be negative."

Ankara has received no official request from the UN to accept snch a team, despite appeals for an investigation from several Western countries.

Turkish doctors working in the camps have said that they have not found any trace of chemical weapons among the Kurds although they have noted a high incidence of tuberculosis, skin disease, jaundice and malnutrition.

Mr George Shultz, the US Secretary of State, has said that the US possesses compelling evidence.

Meanwhile Iraq announced its agreement yesterday to attend a Gulf peace meeting at the UN in New York, putting to rest doubts whether talks would continue.

Mr Jan Eliasson, the UN mediator, adjourned peace talks in Geneva on Tuesday.

● *The US said yesterday it* had concluded that Libya had established a chemical weapons production capability and was about to begin manufacturing poison gas, Renter reports from Washington.

"The United States now believes that Libya has established a CW (chemical weapons) capability and is on the verge of full-scale production," Mr Charles Redman, State Department spokesman, told a news briefing.

US makes bid to end Lebanon poll crisis

By Jim Muir in Beirut

A SENIOR US envoy was holding talks with Syrian leaders in Damascus last night in what was seen as an 11th-hour effort to avert a crisis in neighbouring Lebanon.

Mr Richard Murphy, US Assistant Secretary of State, was expected to meet President Hafez al-Assad and his Lebanon chief, Vice-President Abdulhalim Khaddam, after talks earlier in the day with Mr Farouq al-Sharaa, the Syrian Foreign Minister. He was expected to go on to Beirut to consult Lebanese leaders.

Officials in Damasus said the talks would be "difficult and complicated". A breakdown of nnderstanding between Damascus and Washington is widely held to be behind the failure of the Lebanese parliament last month to elect a successor to President Amin Gemayel, whose term expires on Friday of next week.

Syria at the last moment backed the contentious figure of former President Suleiman Franjieh. His candidacy was vehemently opposed by the Christian Lebanese Forces militia, which imposed a successful boycott on last month's election session.

A new election session has been called for the last possible day, next Thursday, but the outcome remains uncertain. Syrian officials say Mr Franjieh is still standing. But Christian militia leaders warn that if the situation is unchanged, they will again boycott the session, confident that they could deprive it of the necessary quorum.

If that happens, the constitution provides for Mr Gemayel to hand over to a transitional government headed by a Christian. But Damascus and its mainly Moslem allies have warned that such a step would mean partition. For the first time in 13 years of civil strife, the country could find itself with two rival governments.

Bad weather prompts papal visit to S Africa

By Jim Jones in Johannesburg

THE POPE yesterday missed a first-hand opportunity to see Soweto and Lekoa, the home of the Sharpeville Six, when he sped by on his way from Johannesburg to Bloemfontein in a cavalcade of cars provided by the South African Government.

Bad weather and engine trouble were the official reasons behind papal flight's enforced landing at Johannesburg's Jan Smuts airport yesterday morning. He was expected to have arrived at Maseru, the capital of Lesotho, the land-locked kingdom surrounded by South Africa.

Unofficially, however, it is believed the flight from Botswana was diverted because of initial concern at Tuesday's hijacking of a bus carrying 71 nuns and children was part of a coup attempt in Maseru.

Whatever the reason, the Pope's advisers decided it would be safer to drive the 400-odd kilometres from Johannesburg to Bloemfontein, the closest large South African city to Lesotho, and to take the papal entourage on to Maseru from there.

Time consuming though that is, it also provides time for the situation in Lesotho to clarify before the Pope finally arrived.

Yesterday morning, as air traffic controllers reacted to a request for landing rights from the Pope's flight, Mr Pik Botha, South Africa's Foreign Minister, raced hot foot from Pretoria to the airport to meet the pontiff. He escorted the Pope from his chartered Air Zimbabwe Boeing – one of several bought in a sanctions-busting deal by Rhodesia's Smith government – into the airport's VIP lounge for lunch and an impromptu briefing on president P.W. Botha's visit this week to Mozambique and Malawi.

The pope did not kiss the South African soil as he alighted from the aircraft – reportedly because the ceremonial ground kissing indicates a papal blessing on the country.

A beaming Mr Botha emerged from tbe lounge briefly to tell journalists that the Pope had asked for assistance which the South African Government had been delighted to give. He added the Government was providing cars, an escort of traffic cops and three buses to take the papal delegation and paparazzi to Bloemfontein.

He seemed unconcerned at being escorted and protected by South African officials – earlier this year the Vatican had said the Pope would not visit South Africa as it would involve being protected by this country's security forces.

In Lesotho yesterday afternoon a crack South African anti-terror squad surrounded the bus parked just outside the British high commission's compound in Maseru. The South Africans, who are officially acting in an advisory capacity, were called in late on Tuesday night by General Metsing Lekhanya, Lesotho's military ruler. Last week General Lekhanya renewed his country's state of emergency, in force since February this year.

The British High Commissioner refused permission for the four armed men holding the bus to seek asylum in the compound. They then called for a Roman Catholic priest to be sent onto the bus. By late yesterday afternoon it was unclear what was happening inside. The hijackers were thought to be members of the Lesotho Liberation Army, the military wing of the proscribed Basuto Congress Party.

The fate of three escaped South African political detainees hung in the balance yesterday afternoon as lawyers and US embassy officials were uncertain what to make of statements from Pretoria that the three men would not be re-arrested if they left the US consular offices in central Johannesburg, Jim Jones writes. The three anti-apartheid activists – Mnrphy Morobe, Mohammed Valli Moosa and Vusi Khanyile – escaped from police custody on Tuesday after being taken from Diepkloof prison on the outskirts of Soweto for treatment at the Johannesburg hospital.

Fears grow in Tokyo of surge in yen value

By Ian Rodger in Tokyo

SOME Japanese officials have expressed concern this week that the recent resurgence of exports could lead to a further significant strengthening of the yen against the dollar and other foreign currencies.

Earlier this week, the surge of exports was confirmed in the report on Japan's merchandise trade for August. Exports rose 18.2 per cent to $20.6bn on a customs cleared basis.

Last week, the Bank of Japan's quarterly survey on business intentions revealed that export-oriented manufacturers have revised upward their sales projections since the previous survey in May.

A central bank official said the export surge was caused in part by the US economy remaining stronger than expected, and thus drawing in Japanese imports at a high rate. Japan's exports to the US in August reaching $6.9bn.

Meanwhile, an official of the Ministry of International Trade and Industry predicted that the export growth trend would continue for the foreseeable future while the even stronger import growth trend of the past year or so could soon flag.

He said it was no longer certain that Japan could achieve the targeted $11bn reduction in its trade surplus in the year to March, 1989 to $82bn. However, an official at the Government's Economic Planning Agency, said he remained confident that the forecast would be met.

Lisbon plans aid scheme for Angola

By Peter Bruce in Lisbon

THE PORTUGUESE Government is drawing up details of a huge multinational aid scheme to be offered to Angola if current US-inspired peace efforts succeed.

Mr Joao de Deus Pinheiro, Portugal's Foreign Minister, told the FT he wanted the "mini Marshall Plan" to serve as an incentive to Angola's Marxist Government to reach a settlement with the US and South Africa over the withdrawal of foreign troops from Angola. He said the scheme would involve $600m a year for 10 years for Angola alone. A smaller amount would go to Mozambique. Mr Pinheiro said the first phase of the project, its political feasibility, had already been completed.

India orders unilateral ceasefire in Sri Lanka

By K.K. Sharma in New Delhi

INDIA HAS ordered a five-day ceasefire in Sri Lanka with effect from this morning in a bid to encourage Tamil extremists to lay down their arms and take part in forthcoming elections to the provincial council in the newly-formed North-east Province.

The ceasefire, announced yesterday in New Delhi, has been ordered unilaterally and there does not seem to be any indication that the main extremist group, the Tamil Tigers, has sent feelers seeking a truce or a wish that its leaders want to surrender.

In a statement issued in New Delhi, the Indian Government pointed out that President Junius Jayewardene of Sri Lanka last week announced the formation of the new North-east Province which is dominated by Tamils. He had also announced that elections for its provincial council would be held soon.

India hoped that all Tamil groups would take part in the election process so that they could resume their place in the mainstream of life in Sri Lanka. This had been made possible because of various concessions to the Tamils by Mr Jayewardene such as formation of the new province, release of Tamil prisoners and recognition of Tamil.

India has sent a peace-keeping force of about 70,000 troops to Sri Lanka under an agreement signed with Mr Jaywardene in July, 1987.

Sudan flood takes toll

AT LEAST 350 people died of hunger last week in the southern Sudanese town of Malakal and surrounding areas, a senior Sudanese official was quoted as saying yesterday, Reuter reports from Khartoum.

Mr Pacifico Lado Lolik, one of the five members of the Supreme Council which forms Sudan's joint presidency, said no relief had reached the town of about 50,000 people since January and disease was rife.

Mr Lolik's remarks, published in several Khartoum newspapers, were the first account of conditions in the capital of the Upper Nile region by a senior official in several months.

Mr Lolik, who visited Malakal 700km south of Khartoum on Monday, sharply criticised the state-run Relief and Rehabilitation Commission.

He said repeated assertions by the Khartoum-based agency that relief was reaching southern towns were untrue.

UK increases Uganda aid

By Michael Holman, Africa Editor, in Dar-es-Salaam

BRITAIN yesterday announced £10m in development grants to Uganda and agreed to release another £10m which has been held pending agreement on a structural adjustment programme with the International Monetary Fund.

Sir Geoffrey Howe, the British Foreign Secretary, who yesterday ended the third leg of his five-country Africa tour, made the announcement following his meeting with Mr Yoweri Museveni, the Ugandan President. The two men held talks lasting several hours at game park lodge in Mweya, south-western Uganda. In a speech on Tuesday night, Sir Geoffrey praised the Government's efforts to rehabilitate Uganda's devastated economy.

Senior Egyptian cleric presses for Sharia law

By Tony Walker in Cairo

EGYPT'S leading Moslem cleric appears to have chided the Government over differences between the laws of the state and those of the Islamic religious code. He told a Cairo court this week that Sharia law should be implemented "as soon as possible". Dr Mohamed el-Sayed Tantawi, the government-appointed Grand Mufti of Egypt and the country's supreme religious authority, added, however, that it was the prerogative of the ruler to decide on the speed at which Sharia is introduced. He was giving evidence in the trial of 33 Moslem extremists accused of attempting to kill two former ministers of the interior and a senior journalist.

OVERSEAS NEWS

Third World plan to transfer debt to farm aid

By John Wyles in Rome

A NOVEL variation on the idea of partial debt forgiveness for Third World countries which seeks to transform cancelled debt into special local currency funds is being discussed in the UN's general assembly this week.

The proposal was put forward by the UN's Rome-based International Fund for Agricultural Development (Ifad), and has been included in a paper sent to the General Assembly by Mr Javier Perez de Cuellar, UN secretary general.

The Ifad plan specialises in rural development projects for the poorest Third World farmers and attempts to harness the potential benefits of debt cancellations for development projects capable of earning export income.

Its proposal suggests part of the Third World's bilateral debts could be paid into local currencies which would be placed in a Special Account Fund, administered by "a competent international body," to finance development projects and programmes.

Ifad argues this approach will save debtor countries the scarce foreign exchange which they would otherwise use for debt repayment.

These savings could then be used to finance additional imports necessary for industrial development.

"The debt problem is not simply a liquidity problem whereby bridging finance through conventional debt relief measures would enable these countries to ride out their current economic turmoil," said Mr Idris Jazairy, the Ifad president, yesterday.

In addition, the Special Account Fund could be used to attract matching funds from international development agencies for projects targeted specifically at the rural poor.

Thus, "the Ifad proposal addresses the debt problem with a sound financial and development solution," claims Mr Jazairy.

Tokyo takes steps to cut air fares from Japan

By Ian Rodger in Tokyo

INTERNATIONAL airfares from Japan, which have risen to breathtaking heights along with the yen in the past three years, are to be reduced significantly in the next year or so.

Japanese international airfares have become so high that they have become a political issue raised frequently by ministers from foreign countries, including the US and the UK, when they visit Japan.

For example, Japan Air Lines' standard round trip Tokyo-London economy fare originating in Tokyo is Y713,300 or £3,140 ($5,230) at current exchange rates. That is around 37 per cent more than the same round trip costs when it originates in London.

The Japanese Government has finally responded to the pressure, ordering Japanese international carriers to eliminate these differentials in their European and trans-Pacific fares by March 1990.

Foreign carriers are expected to follow suit. Japan Air Lines said yesterday that it would make a 12 per cent reduction in Tokyo-based fares for its European routes by the end of next March and would eliminate the differential by the end of March 1990.

JAL is also proposing reductions of between 5 per cent and 9 per cent on its trans-Pacific routes. Its present round trip fare from Tokyo is Y460,000 or $3,460.

The same trip, originating in New York, costs $2,696. Mr Susumu Yamagi, JAL president, said yesterday that the situation had become so serious that radical measures were needed. It is not clear how much of an impact these cuts will have on actual prices.

One airline industry source said yesterday that it would simply mean that discounts on Tokyo based tickets would be reduced.

UN REPORT ON MULTINATIONALS

Transnationals 'key force in economic integration'

By Charles Leadbeater, Labour Correspondent

TRANSNATIONAL corporations expanded their role in the world economy in the 1980s, despite deceleration in world economic growth, increasing instability in exchange rates and interest rates, and rising support for protectionism.

They are also the major force for the growing integration of the world economy, through franchising, joint-ventures, sub-contracting and direct investment.

These are the findings of a new UN report. The report, *Transnational Corporations in World Development: Trends and Prospects*, is the fourth in a series of five yearly surveys which began in 1973.

The largest 600 industrial companies account for between one-fifth and one-fourth of manufacturing value-added in the market economies, and between 80 and 90 per cent of exports from both the US and the UK are associated with transnational corporations. The largest 56 TNCs have sales ranging from $10bn to $100bn although most multinational companies are medium-sized, with sales well below $1bn.

While TNCs have continued to expand, the source and location of investment have shifted markedly in the last decade.

Patterns of foreign investment changed significantly in the world economy. The US was transformed from the major source of foreign investment by TNCs to become the largest recipient. Although the dismantling of exchange controls in the UK and Japan may have affected this, the report argues that more fundamental trends are at work.

Japanese companies have risen to become leading capital exporters by establishing a strong competitive advantage for a range of technologically advanced products. This trend is likely to continue.

Transnational corporations based in Western Europe have begun to place greater emphasis on overseas expansion through direct investment on greenfield sites and acquisitions. American transnational corporations have focused attention on consolidating their position in their domestic market.

The character of transnational corporations has also changed. Internationalisation of banking and financial services has been one of the most important forces behind increasing economic integration. By the mid-1980s, about 40 per cent of the world stock of foreign direct investment and half the annual flow of investment were in service sectors.

Transnational corporations have increasingly extended their reach without necessarily investing abroad. This has largely been achieved by collaboration with rivals, either through the cross-licensing of new technologies or through joint ventures and research.

Large corporations have also increasingly concentrated in-house expertise on core technologies and sub-contracted the supply of components. Many have formed much closer relationships with their contactees, which amount to quasi-integration without equity ownership.

Underpinning these trends has been the influence of information technology on production processes and product innovation. The costs of innovation have tended to make TNCs more important in developing an economy's competitive advantage, and made cross-border planning of production easier.

Taken together, these trends have had a dramatic impact on the relative position of developed and developing countries in their relations with TNCs.

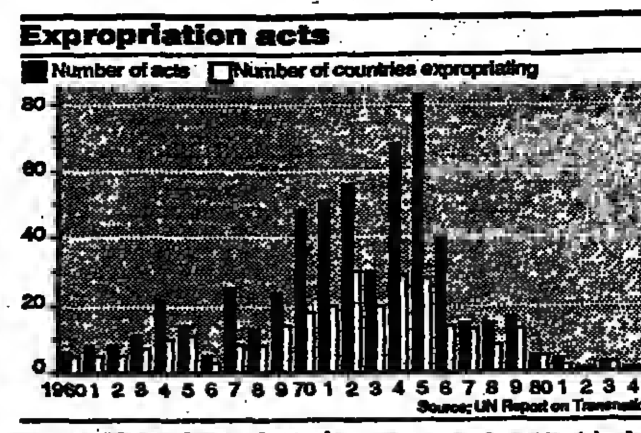
A series of pressures have led governments in developing countries to adopt a more conciliatory approach to TNCs. Slow economic growth, the burden of foreign debt, and the expanding technological lead of the developed countries has led them to "replace the old policy of confrontation with a more pragmatic approach".

Prospects for the developing countries are, however, quite gloomy. TNCs are becoming more concerned with quality and regular supplies than simple cost advantages gained by out-sourcing supplies to low-wage economies.

At a time when developing countries have become less antagonistic to TNCs, technological and organisational pressures are likely to divert investment from the Third World to developed economies.

Transnational Corporations in World Development: trends and Prospects, published by the United Nations Centre on Transnational Corporations, Room DC2-1220, UN, New York 10017, USA, price $56.00, 628pp.

Expropriation acts



Source: UN Report on Transnationals

Corporations will be at core of changes

By Charles Leadbeater

SEVERAL factors will reshape the role of transnational corporations in the 1990s, according to the report:

- Rapid advances in micro-electronics, and more recently in bio-engineering, new materials and composites are giving rise to new products and refashioning existing production processes.

Transnational corporations will be at the core of this technological transformation. But these technologies are likely to alter dramatically the character and economy of production, shifting competitive advantage away from developing to developed economies.

If developing countries are to maintain their international competitiveness, new strategies will have to be developed to enhance training, as well as technology transfers;

- The growth of these new technologies is encouraging companies to establish intricate networks of alliances with suppliers and competitors to share the risks of innovation. These corporate alliances will add a new dimension to global economic interdependence and force a reassessment of national anti-trust, industrial and monetary policies.
- The European Community is likely to become an increasingly attractive host area for transnational companies in the run-up to the single European market in 1992.

Eastern Europe, and particularly the Soviet Union, remain largely outside the orbit of transnational corporations. But that could change dramatically;

- The spread of transnational corporations often brings unintended side-effects. Traditionally, most concern has been focused on the impact of "Western modernisation" on the Third World. However, with the extending reach of Japanese and South-East Asian companies, "culture clashes" are likely to intensify in Eastern and Western Europe.

The report calls on transnational corporations to put more emphasis on social programmes

- The report predicts that the broad trend towards de-regulation and liberalisation in host countries is likely to continue.

States 'should be allowed to go bankrupt'

By Stephen Fidler, Euromarkets Correspondent

SOVEREIGN states should be allowed to go bankrupt, the UN Centre on Transnational Corporations concludes in its report.

"If there is a lesson to be learned from the debt crisis, it is that the international community lacks a legal framework to deal with situations in which countries are unable to continue to service their debts," the report says.

There is a need for sovereign borrowers to be able to negotiate a rewriting of contracts "when unforeseen developments make it impossible for them to honour their commitments."

This would allow for an orderly way to restructure debts, but completely overturn the bankers' maxim of the 1970s, as expressed most forcefully by Mr Walter Wriston, the former chairman of Citibank: "Countries don't go bust."

Such a framework could take in elements from national bankruptcy law, such as the Chapter 11 of US bankruptcy law, the report suggests.

In its assessment of the debt crisis, the report concludes that commercial banks are sending a message to debtor countries that they are "no longer willing to go on extending involuntary credit to them into an indefinite future."

These moves "may well lead to an increasing number of unilateral defaults. The alternative to defaults would be an internationally negotiated programme of debt relief," the report states.

It dismisses the basic objections cited to debt relief, as either exaggerated or missing the point. Most highly-indebted countries have lost their creditworthiness anyway, and an internationally-agreed programme of debt relief would remove uncertainties and hasten the return of countries to the capital markets.

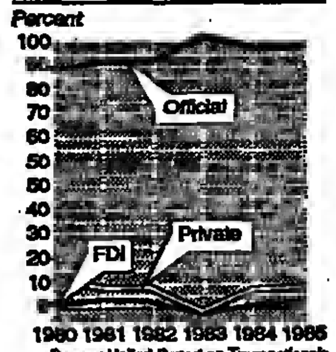
The question of moral hazard can be reduced by tying debt relief to effective adjustment measures, nor would the move be "contagious" in the sense that only countries with no prospect of early access to the capital markets would find debt relief attractive. Losses would result for banks but bankruptcies would be highly unlikely, and debt relief would not, as is claimed, necessarily imply public money.

Debt relief is needed, says the report, "because the systemic nature of the debt crisis implies that its resolution is in the nature of a public good". This means that without the intervention of a public authority "actual outcomes will be sub-optimal."

An international negotiated debt relief programme would have "advantages over the disorderly defaults that are all too likely in the current world economic environment", in part because it allows a better prospect for coherent structural adjustment policies.

The report suggests debt relief would be preferable in the form of reduced principle rather than a reduction in interest rates, in part because it would facilitate the securitisation of debt.

Financial inflows into developing countries



Source: United Report on Transnationals

Stock market capitalisation and external debt levels, end 1986 ($bn)

Country	Stock market capitalisation	External debt
Argentina	1.8	51.8
Brazil	44.0	110.3
Chile	2.7	21.5
Indonesia	0.5	42.0
Mexico	6.0	100.3
Nigeria	2.5	23.4
Philippines	2.0	28.3
Thailand	2.9	20.4

Telecoms technology boosts services

By Charles Leadbeater

SERVICES have transnationalised dramatically since the 1970s with the innovation of new telecommunications technologies.

Although services sectors are nowhere near as internationalised as manufacturing, the report says the growth of transnational service sector companies is one of the most important developments of the last decade.

While only one quarter of foreign direct investment was in the service sector in the 1970s, this share had risen to 40 per cent ($300bn) in the mid-1980s.

The service sector accounts for about half the annual flow of foreign direct investment by large companies, worth about $25bn a year.

The US was the largest source of and host for international investment. In West Germany nearly 80 per cent of the increase in inward investment between 1976 and 1985 was in the service sector.

In vitrually all service sectors, only a handful of companies account for the lion's share of transnational activities.

In retail trading for instance, the eight largest transnational companies account for 73 per cent of the foreign affiliates of all transnational retail companies.

A number of the largest service companies are diversifying rapidly into related sectors, for instance, drawing together advertising, management consultancy, and data services.

The report says the transnationalisation of services is likely to expand considerably in the next few years. Many service companies are growing rapidly and will soon reach the size required to finance transnational operations.

Service sector companies in all the major economies are considerably less transnational than their manufatcuring counterparts, which suggests there is considerable room for expansion. Moreover, service TNCs are more profitable than manufacturing TNCs .

The foreign affiliates of US service sector companies operating in developed economies made an average rate of return of 15 per cent per year between 1980 and 1986, compared with 10 per cent foreign affiliates of transnational manufacturers.

Warning on capital movements

By Stephen Fidler, Euromarkets Correspondent

GREATER freedom for the movement of capital during the 1980s has led to wider gyrations of asset prices around their true value, the report said.

The most striking instance of this is the appreciation of the dollar up to 1985 even as the US current account deficit rose to record levels.

This can cause difficulties for policy-makers in that volatile swings "can have sufficiently disruptive effects on asset prices, particularly interest rates and exchange rates, to jeopardise economic activity."

Their task is then to prevent asset prices from becoming distorted or, if they do, to moderate the market revaluation.

However, policy-makers might be part of the problem, and the integrated nature of financial markets meant that the leading market economies have to be co-ordinated with each other.

The report also suggests that the fact that financial markets are now informed almost instantaneously about changes in financial asset prices "is by no means an unalloyed advantage. Recent world-wide plunges in stock market prices attest to this fact."

Recent developments in the international financial markets have hardly impinged on the developing countries. But this was likely to change.

AMERICAN NEWS

Polls point to success of Bush campaign tactics

By Stewart Fleming in Washington

THERE was plenty of good news for Vice President George Bush yesterday.

New opinion polls reported that his hard-hitting message has succeeded in raising doubts in voters' minds about his rival, Governor Michael Dukakis, particularly on national security issues. Separately, the US Commerce Department disclosed that the US trade deficit in July had shrunk to $9.5bn (£5.6bn), on some measures its lowest level since December.

Coupled with a Federal Reserve Board report that industrial production increased only sluggishly, the economic news suggested thet fears that the economy is overheating will continue to fade.

A new CBS /New York Times poll published yesterday suggested that voters too are growing more optimistic about the economic outlook.

But perhaps more important for Mr Bush is the new polling results, most of which not only continue to give him a lead over Mr Dukakis, but also suggest that his lead is in part the result of the campaign tactics he has been following over the past four weeks: focusing on defence and foreign policy issues, to raise doubts about Mr Dukakis's competence.

The lead is narrow, the voters are in a volatile mood, the race in several key states such as Texas, California and Ohio is neck and neck, and the election on November 8 is still, in such circumstances, a long way away.

But Mr Bush is setting the terms of the debate to the point where, having taken control of the national security question, he has begun a pre-emptive strike on economic issues, where Mr Dukakis stands the best chance of making a strong appeal, vigorously rejecting charges that the middle class has been squeezed in the Reagan recovery.

The poll published yesterday gives Mr Bush a narrow 47-39 per cent lead nationally among probable voters. At the beginning of August Mr Dukakis led by 52 per cent to 34.

A new Gallup Poll has Mr Bush ahead by 49 per cent to 41 and a Los Angeles Times poll has the race even at 47 per cent each.

What is striking about the CBS/NYT poll however is that for the first time more voters say they have an unfavourable rather than a favourable image of Mr Dukakis, and they see him as weak on defence issues and as a "liberal" Democrat, a negative picture and one Mr Bush has been presenting on the stump.

Quayle factor starts to lose its appeal

By Lionel Barber in Washington

THE campaign stop was Milwaukee, Wisconsin, and Senator Dan Quayle had just started to enjoy himself.

"The governor of Massachusetts lost his top naval adviser this week," said Senator Quayle, the Republican vice presidential candidate, "his rubber ducky drowned in his bath tub."

Mr Quayle himself is said to have a deep understanding of military issues, and we are told that Vice President George Bush had this in mind last month when he selected the 41-year-old Indiana senator as his running mate; but not everyone is convinced.

Mr Quayle has never pretended to be a Clausewitz or a Hegel, but the news this week is that the slow-moving Dukakis campaign has just woken up to what everyone else suspected for weeks: Mr Quayle is a liability, and the best thing the Republicans can hope for is "damage control".

The Democrats – who initially steered clear of the controversy over his military service during the Vietnam War – are now regularly assailing Mr Quayle as unqualified to serve as Vice President and attacking Mr Bush's judgment on his choice of running-mate.

They are reminding audiences that, despite his youthful indiscretions, he could become "President Quayle".

The polls suggest that voters are unimpressed by Mr Quayle and much prefer the Democratic vice presidential candidate, the 67-year-old Senator Lloyd Bentsen of Texas. But such concern is dwarfed by the attention paid to the presidential candidates themselves and to core issues such as the health of the economy.

Only in a tight race is the Quayle factor likely to make a difference. The betting is that Mr Quayle may be remembered more for his one-liners than for any lasting contribution to the Bush campaign – or to military doctrine.

US to put further pressure on Pretoria

By Lionel Barber

THE US Senate Foreign Relations committee yesterday recommended sweeping new economic sanctions against South Africa, in a vote which signals mounting congressional pressure for action against the Pretoria regime.

The 10-9 vote on party lines, following passage of a similar tough sanctions bill in the House of Representatives last month, is unlikely to result in legislation this year.

Mr Dukakis, who has pledged to take action to end apartheid in South Africa, probably would not oppose the bill. In this case, Democrat proponents would require a simple majority in the House and Senate – which they are expected to retain in November.

The bill would bar US investments in South Africa, and ban US exports to South Africa such as oil and petroleum products. It would also ban US imports of South Africa goods, except for strategic minerals. One key exception to all these provisions is that the measures do not apply to businesses owned or controlled by victims of apartheid.

The UK Government successfully lobbied for the deletion of a provision requiring denial of US oil and gas leases to oil companies with investments in South Africa or which exported oil to that country. However, Britain opposes other measures such as directing the President to retaliate against foreign companies taking advantage of US sanctions.

Argentina in NY debt talks

By Stephen Fidler and Gary Mead

THE Argentine Economy Minister, Mr Juan Sourrouille, was scheduled last night to discuss the country's deepening debt crisis with the chairmen of the main US banks at a meeting hosted by the New York Federal Reserve Bank.

Mr Sourrouille was expected to explain the country's economic programme.

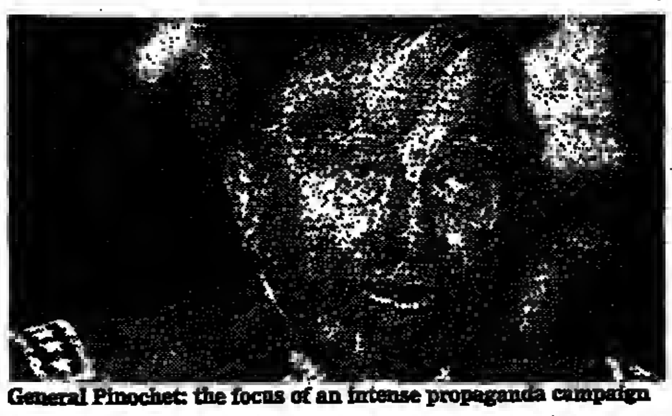
The commercial bankers are expected to press hard for some interest payments from the country, in arrears dating back to April of more than $1bn on its bank debt.

Mr Sourrouille does not normally attend such meetings. His decision to go on this occasion is regarded in some quarters as an indication of the gravity of Argentina's current debt problems.

The General gives up his fatigues for a poll blitz

Mary Helen Spooner reports on the campaigns running up to Chile's one-man plebiscite

GENERAL Augusto Pinochet's campaign for a "yes" vote in Chile's presidential plebiscite on October 5 has prompted the 72-year-old army general to dress as a civilian and speak in moderate, conciliatory tones. The radical change in personal style has been accompanied by a government propaganda blitz warning of the dangers of a marxist takeover should Chilean voters fail to support him in the one-man election.



General Pinochet: the focus of an intense propaganda campaign

Last week, Chilean television began broadcasting 30 minutes of campaign material on late night programmes, divided equally between the regime and its supporters, and the 16-party coalition calling for a no vote in the plebiscite.

The programmes do not exactly place opposition groups on an equal footing with government forces. Although the country has two opposition newspapers, along with several news magazines and radio stations, television remains under strict control.

Mr Genaro Arriagada, a political scientist and executive secretary of the "no" campaign, calculates the Government has a daily average of 30 television advertisements, not counting the nightly 15 minutes of official campaign programming.

In addition, both the state television network and the Catholic University channel are heavily pro-government in content, although theoretically the no campaign could purchase additional air time. Mr Arriagada said the organisation does not have the funds.

On Monday, Chilean television censored the opposition's programme, arguing it contained unauthorised footage from a European television interview with a Chilean judge investigating allegations of torture by the security police, the Central Nacional de Informaciones (CNI).

Leaders of the no campaign noted the Government did not require authorisation to use file footage of television interviews in which they appeared, and said they were considering filing a count suit.

General Pinochet then announced the government campaign would forfeit its 15-minute programme scheduled for Tuesday night, in order, he said, to even the score.

The fate of the banned opposition segment, however, remained in limbo and suggested the no campaign's daily 15 minutes of air time was not guaranteed.

The regime seemed to reconsider its campaign strategy after viewing the no programmes and following an opposition rally on September 4 which attracted more than 200,000 people.

The day after the first propaganda segments were broadcast, General Pinochet had lunch in the La Moneda presidential palace with a group of former officials and pro-government businessmen. His guests reportedly urged the regime to improve its programmes, noting the high technical quality of the no segment.

The latest government propaganda segments have become increasingly virulent in tone, with images taken from opposition programmes and voice-overs ridiculing the no campaign's slogans and songs. In one case, a rainbow drawing used in the no propaganda was repainted black and red, the colours of Chile's tiny marxist guerrilla group, while a chorus paraphrases the opposition's theme song to say marxists are on the way.

The government propaganda has also taken advantage of General Pinochet's decision to allow the Chile's remaining political exiles back in the country, by filming the arrival of such figures as the Allende Government's former economy minister and reminding viewers of their past actions.

Chilean authorities have decided to suspend pro-government rallies, whose smaller attendance has invited unfavourable comparisons with opposition gatherings. A pro-government rally organised in front of the presidential palace after General Pinochet's nomination as the candidate failed to attract more than 6,000 people.

Mr Mannel Figueroa, a spokesman for the yes campaign in Santiago, said the movement planned to concentrate its resources on other areas such as publicity and person-to-person contacts.

The "yes" building, located behind a colonial church in the capital, may not be the nerve centre of the regime's campaign but it does have 15 full-time workers and a larger number of volunteers, according to Mr Figueroa.

During an informal tour of the building, he pointed to several departmental offices occupied by such groups as "teachers for the yes," and an editorial room where a new publication called Yesterday and Today is prepared. The four-page paper, prominently displayed on Chilean newsstands, contains photographs and press reprints from the late Salvador Allende's socialist government and compares such scenes with present day opposition activity. "Those who do not know history repeat the errors of the past," a slogan on the masthead reads.

The yes campaign has also enlisted the help of several Chilean political figures who had earlier indicated they would not support the yes vote if General Pinochet were the candidate. One of the most notable is Mr Andres Allamand, a 33-year-old conservative who enjoys good relations with Santiago's diplomatic community.

He presented a paper in May of this year at an international political conference in Honolulu, Hawaii, ironically entitled, "Chile: The end of the authoritarian regime."

Mr Allamand, along with other Chilean conservatives supporting the yes vote, maintain the regime will have to become more democratic during the 1989-97 presidential term, in accordance with its own constitution. The regime's constitution provides for congressional elections in 1990, although one-third of the seats are to be filled with government appointees.

Should General Pinochet lose the plebiscite, the constitution provides for him to remain in office another year until open elections can be held.

IMF REPORT

West warned against economic complacency

WESTERN industrial countries were warned yesterday that the strong rebound in economic growth rates from the stock markets' crash last October should not be a cause for complacency over the outlook for the world economy.

In its latest annual report the International Monetary Fund said there were several positive aspects to the current world economic situation.

The IMF's diplomatic language covers unsustainably high trade imbalances and unresolved debt crisis, says Philip Stephens

But in the diplomatic language insisted on by its paymasters, the Fund said that international trade imbalances remained at unsustainably high levels, the debt crisis was far from resolved, and that living standards among the world's very poorest countries were continuing to slide.

It was essential that Western governments reinforce the economic policy co-ordination process established over the past few years in order to reinforce the "process of adjustment".

The report contains no specific forecasts for the major economies during 1989, but its policy prescriptions are based on the the projections which it will publish this month in the World Economic Outlook.

These forecasts suggest that despite the considerable underlying improvement over the past two years in the US trade deficit and the parallel surpluses in Japan and West Germany, they will remain potentially a major destabilising influence on the world economy.

The Fund expects the US current account deficit to be above $135bn in 1989, while the Japanese and West German surpluses are put at about $80bn and $40bn respectively.

Against that background, the Fund says further cuts in the US budget deficit are essential to promote further shifts in trade flows.

It congratulates Japan for its efforts to step up the pace of demand in its economy significantly but adds that greater efforts are needed to open the Japanese market to foreign competition.

It also voices concern about the continuing slow expansion of the West German economy and says the Bonn Government has made little progress in dismantling the structural rigidities hampering growth. In particular, it calls for vigorous policy action in the areas of competition, protection and subsidisation.

The report says the overall inflation outlook remains relatively favourable but it highlights among others the US and the UK as facing the risk of an acceleration in the pace of price rises.

Turning to the developing and newly industrialised economies, the Fund says that on average they benefited from some easing of balance-of-payments constraints in 1987 while debt-to-export ratios declined markedly.

But the small overall improvement masked acute problems in sub-Saharan Africa, where living standards have fallen in almost every year since 1980, and there was little easing of the debt crisis faced in Latin America.

Average growth rates in developing countries of around the 3½ per cent seen last year are not enough to prevent a continuing fall in per capita incomes in many countries, the Fund says.

At the same time the total dollar value of developing countries' outstanding debt jumped by over 10 per cent last year to $1,217bn, equivalent to 39 per cent of their gross domestic product. While many countries benefited from increased assistance from international institutions, "the aggregate data show no evidence of a reversal of the precipitous drop in private financing flows to developing countries that occurred in 1982-84".

The success of economic adjustment programmes among the large debtors was also patchy, with Latin American countries in particular facing a sharp acceleration in inflation.

In its policy prescriptions for developing countries, the Fund says that the key priorities must remain the reduction of fiscal imbalances and the removal of structural rigidities.

It singles out the need for improvements in the efficiency of public enterprises, for the introduction of more market-oriented pricing mechanisms, and for the phasing out of administrative controls.

It adds, however, that even if such reforms are undertaken, "adequate external financing is crucial for the debt strategy" and it calls on commercial banks to play a full part in providing new money for countries adopting adjustment programmes.

WORLD TRADE NEWS

Fiat wins Polish car contract

By John Wyles in Rome

THE Fiat group's privileged relationship with the Polish motor industry has survived the blandishments of a rival Japanese suitor, Daihatsu, and will see the Italian motor giant in charge of a $1bn plant modernisation programme in Poland.

Having pocketed a year ago a $470m contract to modernise the FSM car plant in southern Poland, Fiat appeared to be running second to Daihatsu in the race for the equivalent agreement covering the FSO plant in Warsaw. However, it appears that Daihatsu has pulled out of contention during the past two weeks and news that Fiat was to be the peoples' choice was broadcast on Polish national television news on Tuesday evening.

A Fiat spokesman said in Turin yesterday it was hoped that the details of the contract could be negotiated "in a reasonably short time." It is expected to cover the retooling of the Warsaw plant and the supply of designs and components for a new 1.3-litre passenger car to replace the aged Fiat 126 which has been produced there since the late 1960s.

It is believed that the Turin company has proposed a design based on the Duna, the Brazilian-produced notchback which is itself derived from the bestselling Fiat Uno. Annual production is expected to be about 160,000 units.

The two accords consolidate a relationship between Fiat and Poland dating from 1921. Their value is hard to gauge since Poland's lack of hard currency requires substantial commitments of credit by Fiat which is backed up by commercial banking funds to support component suppliers.

US hopes for deal with Japan on rice

By William Dullforce in Geneva

THE CHIEF US negotiator on agricultural trade believes that a deal can be struck over rice with Japan, despite Tokyo's demand this week for special treatment for its basic food under the General Agreement on Tariffs and Trade (Gatt).

The key to the rice issue was time, Mr Daniel Amstutz said. The US was prepared to be flexible on the timing of change in specific areas of farm trade, provided that its goal of eliminating all subsidies on food exports was met.

Japan had already made significant changes in agricultural policy and the main thrust of the paper, in which it proposed that rice be exempted from the liberalisation of farm trade, had been heartening, Mr Amstutz said.

He recalled the recent easing of restrictions on beef and citrus imports to Japan and noted that the Japanese government had started to address the problem of the domestic food distribution monopoly.

The Japanese request for special treatment for rice coincided this week with a demand from US rice millers that the Reagan administration take action to open Japan's market to imports.

The US negotiator, also, welcomed an Egyptian proposal presented in Gatt on Tuesday as evidence of the "global" movement towards the reform of farm trade.

Soviets drastically cut import duties

By Quentin Peel in Moscow

PROHIBITIVE customs duties imposed on goods imported into the Soviet Union have been drastically reduced, and restrictions on banned imports eased, in the latest evidence of Soviet trade liberalisation.

Import duties of anything from 75 to 200 per cent have been cut to between 10 and 30 per cent for individual importers, according to Mr Konstantin Kovalchuk, head of the Soviet Customs Department.

A key political gesture in the liberalisation is that a ban on sending religious publications and accessories for religious worship by post into the Soviet Union has been lifted. So has a prohibition on the importation by mail of radio and video equipment, cine- and video-cameras, musical instruments, microcomputers, software and the like.

Mr Kovalchuk said that Soviet citizens importing foreign cars would now pay only one fifth of the former duty – estimated at some Roubles 7,500 on a medium-sized car, and Roubles 3,500 on a small car.

Wholesale importers are unlikely to be affected by the changes, because they are not liable to duty anyway – although the increasing liberalisation of Soviet enterprises to import directly may very well change that system in the future.

Another uncertainty is how foreigners living in the Soviet Union, who face different rates and prices from Soviet citizens for many transactions, will be affected.

The new deal may help to compensate Soviet citizens who have worked outside the country and legitimately earned foreign currency, but whose special currency shops are being phased out.

Boom sets Finland's paper industry alight

Olli Virtanen reports on an investment surge in the country's main export earner

IT may be called a smoke-stack industry but Finland's pulp and paper producers are not discouraged. They are increasing investment in high quality papers to such an extent that competitors accuse them of creating massive over-supply in Europe.

The increased confidence reflects the Finnish industry's successful emergence from a period of rapid restructuring. Companies have grown in size through mergers and acquisitions, and now feel stronger, more competitive and more independent.

The surge of magazine paper investments also reflects a change in regulations. In the 1960s and 70s all investment had to be approved by a board which included other forest products companies and the Bank of Finland. The aim was to ensure that there was enough wood raw material for the planned mill. Recent studies proved, however, that annual growth well exceeds annual fellings, thus prompting new projects.

As a result of these factors Finnish paper and paper pulp companies have expanded operations both in Finland and abroad. Finland's forest products industry, which accounted for 38 per cent of the country's total exports in 1987, is already the world's leading exporter of printing and writing papers with 25 per cent of the world trade in these grades. Planned new investments will further increase its dominance.

According to the Paris-based European Paper Institute Finnish companies account for 59 per cent of all decided capacity increases in the coated mechanical papers (the magazine and catalogue paper grade) in Europe for the period 1987-92. As a result, the EPI estimates, Finnish companies will more than donble tbeir coated mechanical paper prodnction capacity from 941,000 tonnes in 1987 to 2,040,000 tonnes in 1992.

The decided investments would raise tbe coeted mechanical paper production of 3.5m tonnes to 5.5m tonnes in Europe by 1992. This raises the important qnestions of wbether European consumption will increase enough to meet the extra tonnage, and whether the Finnish companies have any other choice but to invest in the magazine grades.

Most analysts think that in both cases the answer is negative. Western Europe produces 0.3m tounes more coated mechanical paper than it consumes, with the difference being exported elsewhere. By 1990, estimates Ekono, the Finnish forest products consultant company, the surplns will grow to 0.9m tonnes.

The Finnish paper industry acknowledges the imminent surplus but claims that it will only be temporary. They point to ths fast increase in consumption of the lightweight coated (LWC) and other costed mechanical grades which grew by 15 per cent last year in Europe, reflecting rapid growth in direct mail, magazine and newspaper snpplements, inserts, mail order catalogues and special interest magazines. Overall, Ekono estimates that the "surplus" of 0.9m tonnes in 1992 will shrink to 0.1m tonnes by 1995.

High production costs have forced Finnish companies to concentrate on high value sdded grades, such as printing and writing papers. Swedish and Norwegian producers can survive by making cheaper prodncts such as newsprint and pulp but Finland's higher energy and raw material costs make the companies less competitive.

Larger groups have successfully compensated for the cost-disadvantage by integrating prodnction and investing abroad. This incentive, plus the establishment of a unified market in 1992, has made owning production units inside the EC a top priority among Finnish companies.

A prime example is the Caledonian Paper Company in Irvine, Scotland. Built by Kymmene, whose chairman, Casimir Ehrnrooth, initiated LWC production in Finland in the 70s, it is Britain's first LWC paper mill, enjoying a captive market from the outset.

Reflecting the climate of increased investment there is strong competition amongst Finnish forest products companies. Enso-Gntzeit, the country's biggest forest products gronp, has pulled out from Finnpap, the paper exporters' association, and United Paper Mills antagonised its fellow Finnpap members by building a newsprint plant in Shotton, a direct competitor to Lamco UK, Finnpap's most important sales office abroad. In addition Caledonian Paper, with its annual production of about 200,000 tonnes of LWC paper, will probably also cut into exports from Finland to Britain.

Despite this competition, however, there remains a degree of co-operation which is expressed largely through joint organisations like Finnpap and Finncell, the pulp exporters' association and the the Central Paper Industry Laboratory.

International co-operation also has its advocates in Finland. Mr Thomas Nystén, managing director of Finnpap, calls for closer co-operation between all European producers. They are jointly responsible for any imbalance in supply and demand, he says, and therefore all of them should negotiate on ways to evoid that.

Mr Nystén claims that the normal market economy principles do not apply to the heavily capital intensive forest-products industry in which repercussions of an unwise investment can cause severe effects throughout the society."The government does not decide where the procession of investments goes, but it may well have to step in as a 'sbovel brigade' to clean up after the companies get indifficulties due to overcapacity," says Mr Nystén.

In the increasingly competitive European market, however, paper producers will have to live with an occasional glut. Asone Finnish paper industry official once put it: "We never tell the Germans bow many Mercedes cars they should produce."

US attacks Gatt 'special treatment'

By Nancy Dunne in Washington

MR M. PETER McPherson, the acting US Treasury Secretary, yesterday attacked the practice of granting "special and differential treatment" to developing countries under the General Agreement for Tariffs and Trade.

Special and differential treatment has allowed Third World countries to erect trade barriers on tbe now-discredited assumption that import substitution is beneficial for development. Under these epecial arrangements trade protection has become a development tool wben trade liberalisetion would have worked more to the countries' benefit, Mr McPherson said in a speech before tbe American Enterprise Institute.

In the Uruguay round negotiations, the US must not allow a "repeat the mistakes of the past" as new rules are developed for services, intellectual property and investment.

Mr McPherson called for the following reforms of Gatt practices:

● Rules permitting quotas justified for balance of payments reasons should only be allowed in true crisis situation and should encourage the adoption of sound adjustment policies.

● Moving away from the concept that LDCs should not reciprocate by reducing their own barriers in exchange for better access to export markets.

Gett disciplines sould be pbased in over a realistic period to belp ease the short-term economic costs and difficult political decisions that accompany trade liberalisation, Mr McPherson said.

India opens up telecoms

By K.K. Sharma in New Delhi

IN A MAJOR move towards further privatisation of the telecommunications industry to India, the government has opened part of the manufacturing of switching and transmission units to the private sector.

Besides Indian companies, foreign companies will also be allowed to enter the telecommunications sector provided they accept a minority equity participation with an Indian partner and agree to transfer technology. Foreign participation will be encouraged if groups of companies present combined proposals which include expenditure on research and development in telecommunications.

These decisions have been taken in the context of the government's ambitious plans for a massive expansion of telecommunications facilities in ths country which inclnde linking every village with the national telephone network by the year 2000. The plans will require an investment of about £200bn over the next 15 years.

Production news tempers price fears

Chancellor warns of big jump in inflation

By Philip Stephens, Economics Correspondent

MR NIGEL LAWSON, the Chancellor of the Exchequer, warned yesterday that Britain's inflation rate will rise sharply over coming months, but insisted that the jump would be only a "temporary blip."

Mr Lawson told Tories in Hornchurch, south-east England that the August figure for the retail price index, to be published tomorrow, will show a "significant increase" from the 4.8 per cent recorded in July. The figure for October would show a similar jump.

He blamed the increases on the "perverse way" that mortgage interest payments were included in the Retail Price Index – the basket of goods and expenses used to tally the inflation rate – which meant that the recent rises in interest rates would feed through directly into higher recorded inflation. In the rises in borrowing costs reflected the firm action that the Government had taken to control inflation.

Financial markets saw Mr Lawson's comments as confirming expectations that the annual inflation rate will rise to 6 per cent or above by the end of year. Some independent forecasters expect it to accelerate further to close to 7 per cent in the early 1988.

Mr Lawson, however, sought to switch the focus from concerns that that pace of spending in the economy has been growing too rapidly. Although the recent attention paid to the demand side of the economy was understandable, it "should not obscure the dramatic – and continuing – improvement in the supply side".

The latest industrial production figures had shown manufacturing output at an all-time high, productivity was rising faster than any of Britain's competitors, and company profits were at their highest for 20 years. Earnings growth clearly needed to slow down but has so far been matched by increased productivity. Based on that success companies had embarked on "a massive increase in investment"

Industrial output figures show continued surge

By Simon Holberton, Economics Staff

BRITISH industrial production continued to expand rapidly, taking output to a record level in the three months to the end of July, the Central Statistical Office revealed yesterday.

The CSO said that manufacturing output rose by 6¼ per cent in the three months to July compared with the same period a year ago. Total industrial production was 4 per cent higher over the same period after adjustments were made to take account of the July 6 Piper Alpha disaster which has led to reduced North Sea oil output.

Government statisticians said that there was no sign of a slowdown in the rate of expansion of manufacturing output. They estimated its underlying growth at around 6¾ per cent – the rate at which it has been growing for nearly a year.

The continued evidence of a sustained rise in output helped ease fears in some quarters of UK domestic financial markets of the inflationary implications of the current surge in demand. Analysts are looking forward to evidence of large productivity gains in July in the Employment Department's labour market statistics, published today.

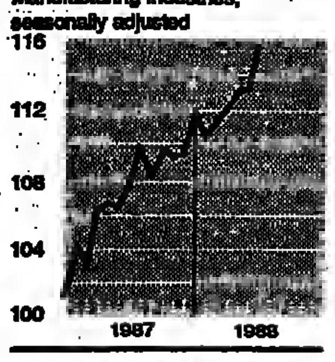
Other analysts pointed out, however, that Britain had its worst current account trade deficit (£2.15bn) in July despite the continued surge in manufacturing output. The mood of financial markets was still that interest rates would probably rise in the near term, perhaps to 13 per cent or 14 per cent.

The CSO's figures showed that manufacturing output was higher in most sectors of industry but particularly buoyant in metals, building materials, electrical and instrument engineering and plastics and rubber industries. The output of these industries is more than 10 per cent higher in the three months to the end of July compared with the same period a year ago.

The effect of destruction of the Piper Alpha oil production platform in the North Sea and the shutdown of related fields was significant in July. The CSO index of oil and gas fell to 83 (1985=100) compared with 94 in June.

Industrial Output

Manufacturing industries, seasonally adjusted



The CSO said that its industrial production figures for July were the first to reflect its re-basing of data. It said that in terms of its production indices, the base of 100 was now based on 1985 rather than 1980 as previously.

The effect of the rebasing has been to increase the estimated growth in manufacturing output over the period 1983-87 from 13 per cent to 14 per cent, and to increase the estimated growth in total industrial production over same period from 11 per cent to 12 per cent.

In re-basing its data, and making some adjustments to statistical method, coverage of the data and changes to seasonal adjustments, the CSO has also redefined the contribution various sectors of industry make to economic growth.

This has resulted in the contribution of manufacturing to total production falling from 74 per cent to 69 per cent in favour of an expanded energy sector. Manufacturing industry's share of gross domestic product has also contracted. It now accounts for 24 per cent of the UK economy compared with 26.5 per cent previously.

The CSO index of manufacturing production was 115.9 (1985=100) in July compared with 113.1 in June. Its index of production industries was 110.3 (1985=100)

Teachers' salary bill limited to 5% rise

By David Thomas, Education Correspondent

THE GOVERNMENT yesterday restricted the cost of next year's pay increase for 400,000 teachers in England and Wales to £385m, equivalent to an additional 5.1 per cent on the pay bill.

It is one of the first indications of how the Government hopes to see public sector pay moving next year.

The restriction was revealed when Mr Kenneth Baker, Education Secretary, issued the remit to the committee which will advise him on teachers' pay rises due in April 1989.

The limit is slightly up on this year's settlement but was immediately attacked by teachers' unions as inadequate in the face of accelerating inflation.

The Government, while ruling out a fundamental restructuring of teachers' pay, asked the advisory committee to consider whether or not several special problems could be tackled within the limit.

These included increased incentive payments, using extra incentive allowances to deal with shortages of science and maths teachers, and easing recruitment problems in high cost housing areas.

Mr Baker confirmed hints that he wants the advisory committee to consider extra rises for heads and their deputies next year because of the burdens falling on them from educational reforms.

Mr Doug McAvoy, general secretary designate of the National Union of Teachers, attacked the limit as below both inflation and other pay rises, adding that an increase in incentive payments would not remedy teacher shortages.

The main teachers' pay scale at present runs from £7,920-£13,863, plus possible incentive allowances of £801-£4,401. Heads' salaries range from £16,158-£31,794.

An extra £100m is expected fo feed through into the pay bill in 1989 as a result of the phasing in of extra incentive allowances agreed in 1987 and 1988.

Teaching unions also criticised the restrictive nature of the remit placed on the advisory committee.

Home, sweet office of tomorrow

Jimmy Burns reports on the growing army of tele-commuters

Tele-working – the use of the home as a workbase incorporating new technology – is set for a significant expansion over the next decade, a conference jointly organised by British Telecom and the Confederation of British Industry heard yesterday.

Mr John Banham, the CBI's Director General, said that tele-working would help compensate for what he predicted would be the UK Government's failure to invest adequately in infrastructure.

Arguing that the "potential benefits of 1992" would be wasted in "ever increasing congestion", Mr Banham said tele-working could induce a substantial reduction in commuter travel into London,

HOME, that part of our lives all too often equated with rest, play, and babies, and little else, is in the process of revolutionary change. As a conference organised jointly by the Confederation of British Industry and British Telecom heard yesterday, it is fast becoming tomorrow's workplace, as new technology spreads and the nature of the labour market changes.

There are already more than a million homeworkers working in Britain. Many of them might more accurately be called tele-commuters because of their skills, use of technology and relatively high earnings. Their numbers could more than quadruple by 1995 as more and more people make use of sophisticated communication systems and the opportunities they open up for more flexible working arrangements.

The underlying theme of yesterday's conference was that employers, who may once have equated homeworking with absenteeism, have every reason to be enthusiastic about "tomorrow's workplace."

According to a report by the Henley Centre for Forecasting, company investment in new technology which makes homeworking easier will be rewarded by fewer office costs, lower salaries (there will be savings on special allowances such as London weighting and travel), higher productivity from reduced travel time and a more interruption-free work environment, and a bridging of the "skills-gap" – particularly as women manage to combine motherhood with a career.

The report also forecasts substantial savings in medical treatment and workdays lost due to absenteeism, and fewer road deaths and traffic congestion because of a drop in commuter traffic.

One of the most enthusiastic speakers at yesterday's conference was Sir John Harvey-Jones, the former chairman of ICI who since his "retirement" has turned homeworker.

With the help of three computers, a copying machine, two faxes, two car phones and an electronic mail system, Sir John, his daughter and a single colleague can handle 26 separate jobs, including advising the Widlife Trust, the Chancellorship of Bradford University and the deputy chairmanship of Grand Metropolitan.

Another enthusiast at yesterday's conference was Mrs Jill Rawlins, who works from home as a manager for British Telecom with the help of a phone, a facsimile machine and a computer.

Homeworking began for Mrs Rawlins when she was well into her pregnancy. "The day I was so large that I couldn't get into a tube train is when I decided to go home," she says.

Just a few years ago such a break would have signified not just maternal leave but the possibility that a whole career might be sacrificed. But Mrs Rawlins not only went on working at home to within six days of having a child, but is now combining job and domestic life, confident than one is not suffering because of the other.

Such experiences no doubt prompted yesterday's declaration by Sir John Banham, CBI Director-General, that "tele-working is not just an attractive idea whose time has come; it could represent a life raft in a very rough sea – and one which no company, big or small, can afford to ignore."

There are nevertheless some potential pitfalls on the horizon. The most unqualified enthusiasm for homeworking is often to be found among people with marketable skills and high earning potential. Yet some speakers yesterday warned that future expansion of homeworking could undermine employee rights and strain industrial relations if not properly managed.

Among them was Mr Norman Willis, general secretary of the Trades Union Congress, who argued: "tele-work can bring jobs to deprived inner cities and to remote rural areas . . . it can offer greater flexibility to the employee who has home responsibilities or is disabled . . . but it could become a nightmare for the tele-worker trapped at home with no choice, and no promotion prospects."

Trade union fears may have been fuelled by evidence such as that contained in a recent survey carried out by the National Homeworking Unit in Birmingham of some homeworkers in the clothing industry being exposed to poor health and safety conditions, and salaries well below legal rates.

Mr Willis's vision of a more acceptable future is one in which unions would play a role in negotiating model terms and conditions for tele-workers, to be adapted to fit each particular case.

Whether the growing army of homeworkers can be convinced that it really need unions remains to be seen.

SAS soldier denies being told to kill IRA gang

By Joseph Garcia

AN SAS soldier said at the inquest into the deaths of three IRA terrorists in Gibraltar yesterday that he had not been ordered to murder them.

Mr John Laws, representing the Crown, intervened in cross-examination of the serviceman, identified as Soldier A, and asked: "Were you ordered to murder the terrorists?" Soldier A said: "No, sir."

Mr Laws had interrupted questioning by Mr Paddy McGrory, acting for the families of the dead terrorists, Mr Sean Savage, Mr Daniel McCann and Miss Mairead Farrell. If it was Mr McGrory's case that Soldier A had been given a "nod and a wink" by his seniors to kill the terrorists, said Mr Laws, why did he not ask if the soldier had committed murder.

Mr McGrory, he said, was implying that there had been a "deliberate plot" hatched in London and Gibraltar.

In later questioning of the second member of the team, Soldier B, Mr McGrory was told: "At no time were we told to go out and kill those people. We were told to arrest them."

Courtaulds closes four Lancashire textile mills

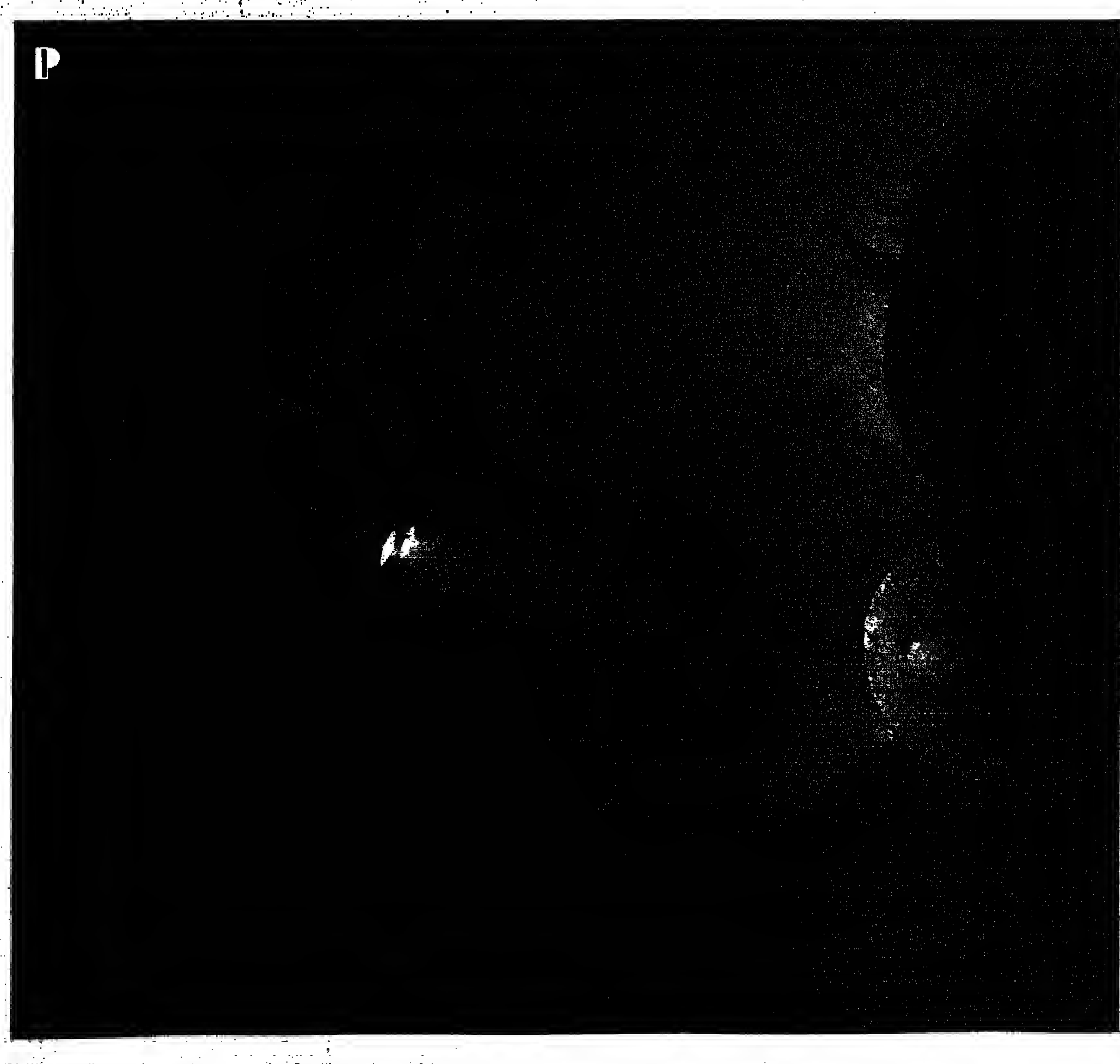
By Alice Rawsthorn

COURTAULDS, the textile and chemicals group, is closing four spinning mills in Lancashire with a loss of 670 jobs in response to increasingly competitive conditions in the spinning sector.

The group's spinning mills have been on short-time working since early spring. Mr Martin Taylor, Courtaulds director responsible for textiles, said the closures were inevitable since there was no hope of an increase in demand from the European weaving industry.

Three of the mills are involved in cotton spinning and one in acrylic. The job losses will be concentrated in Oldham, where three of the mills are based. The fourth is in Bolton. All four mills were involved in the strike that brought Courtaulds' spinning division to a halt in June.

The level of demand for cotton yarn began to decline throughout Europe last summer. The yarn market has been weakened by an influx of imports from Turkey and Greece; oversupply within Europe; and by the indirect effect of increasing imports on the weaving industry.



City forms committee to lobby on EC issues

By Simon Holberton

A HIGH-LEVEL City of London committee, formed to lobby the Government and the European Commission, yesterday met for the first time and decided to concentrate on issues of financial services regulation, competition policy and taxation as a priority.

The European Committee of the British Invisible Exports Council is chaired by Sir Michael Butler, chairman of Hambros Bank and former UK permanent representative to the EC from 1979 until 1985. The committee's vice-chairman is Sir Michael Franklin, a former adviser on EC affairs to Mrs Margaret Thatcher, the Prime Minister.

Invisible exports represent the sale overseas of services snch as banking and insurance, along with income earned from investments abroad. British invisible exporters earned gross income of more than £76bn in 1987, which produced a surplus of £14bn. This accounted for nearly half of the UK's foreign earnings.

The European Committee's stated aims are to secure early information on those developments which are important to the City of London in the approach to the single European Community market in 1992.

To avoid dnplicating the work of other organisations, the committee will concentrate its efforts on strategic and cross-sector issues, making its recommendations directly to the Government, the EC and the Bank of England.

Sir Michael Butler said the committee would focus on:

- Financial services regulation. It would investigate ways for the UK authorities to simplify the Financial Services Act and the Securities and Investment Board's long rule book.
- Competition policy. The committee is keen that companies are not subject to conflicting EC and national laws concerning cross-border mergers.
- Taxation. The committee is concerned that differential rates of tax on financial institutions through the Community, such as unit trusts, could disadvantage the City.

UK banks 'offer poor service to small business'

By Charles Batchelor

SMALL business owners in Britain get a poor deal from banks despite recent attempts by bankers to improve their service to such clients.

A highly critical report from the Forum of Private Business, a leading small business lobby organisation, claims that Britain's banks have slapped charges on an increasing range of services; that they fail to compete in interest rates; and that they require small businesses to pledge excessive colisteral in return for loans.

The report warns that British companies will be at a severe disadvantage when the single market is created by the European Community in 1992 if the UK clearing banks continue to provide an inferior service to small companies.

The 210-page report, which compares banking experiences of small companies in the US and Britain, suggests that the American banking network, comprising 14,200, often small, independent bank gronps, is better able to meet the needs of its small business customers than the UK system of just six leading commercial banks.

The prime concern of UK small businesses is with the level of bank charges, the increasing number of services to which they apply and the fact that banks do not explain what the charges are for.

Another worry is the level of interest rates, which appear to be higher in the UK than in the US. More important, British banks do not compete on interest rates. In the US the larger banks in general charge lower ratas of interest than the smaller banks.

British banks require small businesses to put up relatively large amounts of security to back loans. Security, usually in the form of a charge on the owner's house, is on average four times the amount borrowed, compared with cover of 1.2 times in the US.

Dissatisfied or otherwise, however, small business owners appear reluctant to change bank. The forum found that in the UK some 73 per cent of small business owners had not looked for a new bank in the previous three years, while in the US, 62 per cent of businesses had not changed banks.

Mr Bob Kelly, deputy manager of Midland Bank's small business unit, said: "It is worrying. Some areas we were already aware of and we are looking at. On the question of collateral I feel it is a question of perception. I cannot think of anyone in my organisation who would ask for four times the amount borrowed."

Small Business and Banks; A two-nation perspective. The Forum of Private Business, Ruskin Chambers, Drury Lane, Knutsford, Cheshire WA16 6HA. Tel 0565 4467. £75.

Accountants' body rejects EC investment proposals

A PROPOSED European Commission directive covering investment businesses would be bad for investors and the financial services industry in the UK, according to the Institute of Chartered Accountants in England and Wales, Richard Waters writes.

The Institute yesterday urged the Department of Trade and Industry to resist the proposed Investment Services Directive in its present form.

It says the Commission's proposal, that investment businesses authorised in one member state should automatically be allowed to operate in any other, would put UK-authorised institutions at a disadvantage. This is because the UK's own rules, under the Financial Services Act, are stricter than those of other states.

UK investors would also lose protection of the Act's prohibition on businesses not regulated in the UK from operating there.

Independent TV news to lobby PM on future

By Raymond Snoddy

INDEPENDENT Television News plans to lobby the Prime Minister in a last-minnte attempt to change the Government's mind about the organisation's future.

The Government's forthcoming policy document on the future of broadcasting, to be published in lata October or November, will suggest that future holders of franchises to run commercial television channels need not take their national and international news service from ITN.

That will open up the field to competition.

Independent television is currently provided by 15 separate programme companies, each catering for one of 14 ITV regions (two companies share the London contract, operating respectively on weekdays and at weekends). TV-am, a separate company, at present holds the franchise to broadcast morning television nationwide.

The companies are financed mainly by the sale of advertising time, and are answerable to a Government-appointed Independent Broadcasting Authority. The IBA, in turn, runs the independent Channel Four, paid for out of subscriptions by the 15 ITV companies.

ITN, a wholly owned subsidiary of the ITV companies, believes the break-up of its monopoly would undermine its role as a national commercial broadcaster and might break up its national network.

The result, senior executives believe, would restrict rather than widen choice for the viewer and effectively restore the BBC's monopoly as the national pnblic service provider of television news.

The difficulty arises because the Government has embarked on a policy of deregulating the ITV system, combining the removal of most of ITV's public service broadcasting obligations with the imposition of a heavy levy on commercial television revenue.

Some present ITV companies may not survive the planned process of competitive tendering for the new ITV franchises, which will start in 1993. It will replace the previous means of allocating the franchises, under which public service criteria have also carried weight.

Nurses' pay talks stall on regrading issue

By Financial Times Staff

PAY talks for Britain's nurses remained stalled after a seven-hour meeting on Tuesday as union leaders and National Health Service managers failed to agree on the implementation of a new grading structure for the profession.

But in a move aimed at preventing the dispute from provoking further industrial action, both sides agreed to take part in a series of joint visits to at least six hospitals to examine more closely the regrading exercise, upon which the recommended pay award is to be based.

The pay offer was made in April by the profession's Review Body and allowed rises averaging 15.3 per cent for the country's 487,000 nurses, midwives and health visitors. The rises were tied to a revision of clinical grading structures, based on job descriptions, according to which nurses' pay is calculated. They were recommended by the Review Body in the light of "severe and widespread" retention and recruitment difficulties in some areas.

The regrading programme has, however, ignited considerable controversy among the nursing unions and prompted hundreds of nurses nationwide into limited industrial action late last month.

Unions claim that some nurses are being classified below the levels warranted by their responsibilities.

It has also been alleged that full Government funding of the pay rises, which was promised at the time of its recommendation, could cost as much as £150m more than the £803m which has officially been set aside. Mr Kenneth Clarke, the Health Minister, has said, however, that Government will issue "no blank cheque" for any additional sums.

Tuesday's talks stalled on the specific issue of the grading of hospital ward sisters. Management says that only one sister in each ward can be counted as continually responsible for its care, and therefore qualify for the higher of two new grades, starting at £12,025 and offering increases of up to 33 per cent.

Other sisters – many sharing responsibility, according to the union – would be placed on a lower grade starting at £10,390, an increase for some of only 4 per cent.

Unions argued that upgrading only one sister for each ward shows a failure by management to understand the nature and responsibilities of sisters and charge nurses.

Mr Hector McKenzie, general secretary of the Confederation of Health Service Employees, said that the purpose of the joint visits was to "show management what is really happening" in hospitals.

Mr Nick Gurney, chairman of the management side, described the union's case as a "series of job descriptions coupled with arguments we have heard before." He added "We have not been convinced by this evidence or by these arguments."

In the meantime, said Mr Gurney, management was anxious to complete the regrading by the end of next month and to have backdated pay rises in nurses' wage packets by December.

Social and Liberal Democrats urged to show loyalty to leader

By Charles Hodgson

SOCIAL and Liberal Democrat MPs were yesterday urged to show "maximum loyalty" to Mr Paddy Ashdown, the party leader, at the SLD's first conference in Blackpool later this month.

The SLD was formed in March from a merger of the old Social Democratic Party (the rump of which is still in existence, led by Dr David Owen) and the Liberal Party, after a vote by the two parties' members.

Mr Ian Wrigglesworth, the party president, said that a "tiny minority" of the 19 SLD MPs were "not being as co-operative as they might be," referring to reports that some of them are already dissatisfied with Mr Ashdown's style and policy direction.

Some SLD MPs, particularly those who backed Mr Alan Beith against Mr Ashdown in the leadership contest, are understood to be reluctant to give wholehearted support. Mr David Alton, the MP for Liverpool's Mossley Hill constituency, has been reported as saying he would refuse to accept a portfolio under Mr Ashdown.

Mr Beith is understood to have ruled out serving as Mr Ashdown's deputy, while Mr Alex Carlile and Mr Geraint Howells, the Welsh MP who acted as Mr Beith's campaign manager during the leadership contest, are also reported to have lingering donbts about Mr Ashdown's leadership.

Paddy Ashdown: call for 'maximum loyalty' from MPs

Describing the conference as the party's "shop window to the world," Mr Wrigglesworth said that party members were keen to spend as little time as possible on further internal discussion and that there should be "the maximum display of unity and support for the leader, particularly among the members of the parliamentary party."

He warned that the membership would give "short shrift to anyone who tries to rock the boat when we are at 10 per cent in the opinion polls, facing two parliamentary by-elections and Euro-elections early next year."

Mr Wrigglesworth said that the five-day conference, which opens on September 24, would be the first opportunity for Mr Ashdown to spell out to the country his thoughts on the party's future direction and that it was vital not to be distracted by internal rows.

Nevertheless, discussion on internal party matters is expected to dominate the early part of the agenda, with a motion tabled to defer debate on constitutional changes until a later conference.

Further motions call for a decision on a short name for the party, the favoured option being the Democrats, and a change of constitution to delete overt support for Nato.

The conference will also debate motions opposing the Government's plans for privatisation of electricity supply and calling for a moratorium on the building of new nuclear power plants. It will consider policy on the future of television, land use planning, civil liberties, local government and skill shortages in industry.

SDP review of inherited policies

By Peter Riddell, Political Editor

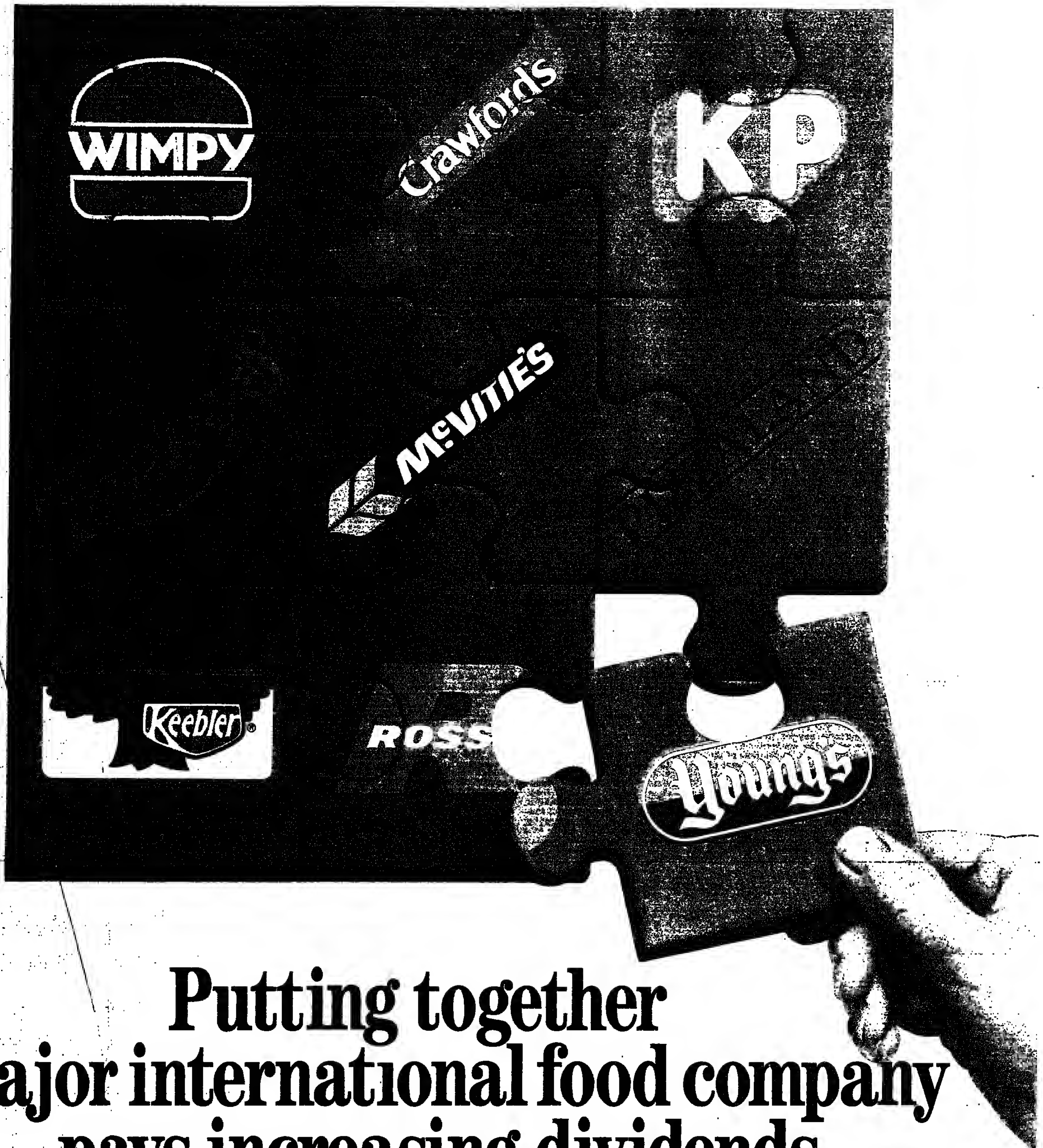
THE SOCIAL Democratic Party under Dr David Owen will this weekend decide how far it accepts far-reaching changes in education, the health service and electricity introdnced by the present Government.

Following the split earlier this year, when most of the old SDP's members joined the Social and Liberal Democrats, the reconstituted SDP will be presenting a much changed face at its conference starting in Torquay on Saturday.

At a press conference to launch the agenda, Mr John Cartwright, its president, said the aim of the conference was to turn the party away from past arguments towards defining its position more clearly.

The SDP's defence policy would, he said, be less blurred than in the past when the party had always to look over its back at its Liberal partners. Today's SDP unambiguously accepts the need for Britain to retain nuclear weapons for as long as the Soviet Union does, including Trident.

Mr Cartwright said the continuing SDP had around 30,000 members, of whom around 15 per cent had not belonged to the old SDP.



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Direct mail

Implications of a monopoly

Alice Rawsthorn on an industry hit by the post strike

One of the few cheering consequences of the British postal strike for the public was the temporary respite from the junk mail that usually plops through the letterbox.

For the direct mail industry the postal strike was anything but cheering. The collapse of the postal system brought the industry to a standstill.

Now that the strike is almost over the direct mail companies are pondering the long term implications of their dependence on the Post Office as a sole source of distribution.

After the last national postal stoppage in 1971, there was some discussion within the industry about the feasibility of establishing an alternative to the Post Office. But when the postal system returned to normal, the disruption – and the discussion – was swiftly forgotteo.

The industry was then in its infancy. But in the 1980s direct mail has taken off thanks to the data processing developments that have enabled companies to amass lists of names and addresses for use in mail shots.

Direct mail is still less prevalent in Britain than in North America or the rest of Europe. The average Briton receives 29 unsolicited letters a year compared with 95 for the unfortunate Swiss.

Yet the volume of direct mail in the UK soared from 985m in 1980 to 1.6bn last year. One in every ten letters delivered by the Post Office is now a direct mail item.

There are hundreds of direct mail houses throughoot the UK. The industry is divided between the agencies, which plan direct mail campaigns; the mailing houses, or "letter shops", that dispatch mail shots; and the "fulfilment houses", which send products to the consumers who respond to direct mail. There is even a thriving market in "lists" of names.

The upsurge in direct mail has played an important role in the recent growth of the Post Office'e letter delivery business. Last year the industry paid £183m for postage – representing 7.3 per cent of the Royal Mail's letter business – thereby reinforcing its role as one of the Post Office's biggest customers.

When the strikes spread across Britain and the postal system came to a standstill the direct mail industry collapsed. The stoppage could scarcely have come at a worse time. Direct mail tends to slow down in the summer months and gathers momentum in early September, as Christmas approaches.

The September rush would have been even busier than usual this year, because some direct mail users had brought forward campaigns to avoid last week's postage price rise. The first few days of the postal dispute coincided with what should have been one of the busiest periods in the direct mail year.

Sacks of direct mail piled up in warehouses. Some projects were postponed. Others were cancelled.

Many mailing houses were forced to resort to temporary lay-offs. Had the industrial action continued into next week, the damage would have been more severe.

In some areas of activity the direct mail agencies managed to counter the effects of the strike. Ogilvy & Mather Direct telephoned, faxed and telexed information in some of its business-to-business campaigns where the target markets were relatively small.

Rod Wright, O & M's managing director, suspects that there may now be greater use of telephone marketing, possibly with more tightly defined target markets.

But for most direct mail campaigns there was no short-term alternative to the Post Office. The volume of mail generated by a consumer campaign is too large for a private courier company to distribute cost-effectively.

"In the short term we could do nothing," says Brian King, managing director of the Bellman Direct mailing house in Liverpool. "But in the longer term we should assess the feasibility of setting up a bulk mail service for the whole direct mail industry as an alternative to the Post Office. After all, if the postal service is disrupted, our livelihoods are at stake."

The chaos caused by the strike has aggravated general disquiet with the standard of service offered by the Post Office.

A common complaint is that the direct mail houses are left to "read about postage price rises in the newspapers like everyone else."

There is also serious concern about the Post Office's ability to maintain a stable service in the future. This concern is likely to intensify the pressure to find a long term alternative to the Post Office.

In the meantime the industry is waiting for the backlog of mail built np during the strike to be cleared.

The direct mail companies are uneasily aware that it will take at least a week or so for a normal postal service to be resumed. And as Robert Scott Moncrieff, managing director of Midas Direct, puts it, "absolutely the last thing" people will want to see after a postal stoppage is a deluge of direct mail.

Why planning needs enthusiastic support

Lisa Wood reports on Premier Brands' marketing strategy

Menagers adopting traditional planning processes ask three questions. Where are we now, where do we go and where does it lead? But by contrast, Paul Judge, chairman of Premier Brands, told a marketing seminar jointly organised by the Confederation of British Industry and the Marketing Society this week, his company's managers asked: Where are we now, where do we want to be and how are we going to get there?

Companies often assume that they know their markets and that they understand the key trends but in practice they are often too involved on a day-to-day basis to make clear assessments, Judge continued. A formal process of review had been adopted by his company. "We make sure, on at least an annual basis, that we review quite carefully the market trends for competitors, our volume and share, our real financial performance . . . and see how well we have achieved the goals which were set in the previous year."

Fairly obvious stuff, said Judge, but if this stage of planning was given the proper level of support and tackled enthusiastically and in depth it would normally fuel the next stage of a planning process - where the company wanted to be.

Judge, whose company intends to seek a listing on the Stock Exchange next year, was one of several speakers at the conference who sought to shed light on topics including the creation of management structures best fitted to their companies, the motivation of employees and the exploitation of new markets.

Two years ago Premier Brands, which markets products such as Smash instant potato, Marvel skimmed milk, Typhoo teas and Chivers jams, was the subject of a £97m management buy-out from Cadbury Schweppes, the confectionery and soft drinks group. At the time of the management buy-out, 15 per cent of the shares were granted as options to employees.

Judge said: "In 1985 the company had many famous brands which had a strong heritage and reasonable market position. However, its total turnover was static, growing at less than the rate of inflation and the financial position was poor." Since 1986 trading profit has quadrupled from £6.6m in 1985 to £24.9m in 1987.

In the six months to June 18 1988 trading profits, at £13.4m, showed an increase of 25 per cent on last year with the trading margin increasing from 7.9 per cent to 8.1 per cent. Since the buy-out, the company, with interest-bearing debt of £83m, has spent some £70m on acquisitions.

Judge identified five key areas in his transformation of the culture of his business. They were:

- Awareness of the need to change.
- The need to focus efforts.
- The development of an organisation in tune with the tasks in hand.
- The planning of goals.
- The establishment of a performance-related culture.

On the awareness of the need for change, Judge said: "I would expect that almost any substantial turnaround which is managed from within a business requires a catalyst for it to happen." In the case of Premier Brands it was the divestment by Cadbury Schweppes.

A high priority, he said, was given to communicating this need for change to employees with the company's new name – Premier Brands, intended to forge a strong identity.

Out of internal discussions had come the key recommendations in focusing the company's efforts. This resulted in, for example, the sale and leaseback of more than 400 cars and trucks and a similar operation for the land and buildings on the company's major sites. Premier Brands, said Judge, was not in the fleet operations or property businesses.

An examination of what Premier was trying to achieve spawned a management structure which Judge claimed was market-oriented, was based on board cohesion and clarity, gave individuals personal responsibility and was directed towards agreed goals.

Judge emphasised the word "agreed". He said: "We have spent a great deal of time in discussing with managers what sensible goals there should be and we do this formally twice a year in our planning and budgeting process in spring and autumn respectively."

Once a company knew its focus, had the management in place to support that focus and had a good planning process in place, the final element was that the culture should be performance-related.

To achieve this, Judge said a company had to invest heavily in communications. This did not mean just the company newspaper. Premier held regular six monthly management conferences with its 250 senior managers, management salaries were performance-related and on the shop-floor union contracts included a commitment to productivity. This year Premier concluded a two year contract with the majority of its 6,000 employees which included a commitment to a five per cent per annum productivity improvement.

Judge said his board believed that the culture at Premier Brands had changed substantially and as the company gained confidence there would be further releases of energy and the opportunity for greater success.

Thumbs-down for covert advertising

David Thomas reports on guidelines on sponsorship in schools

A leaflet for schools on road sense for cyclists which mentions the sponsor's name 15 times on the first page; an educational pamphlet on water safety that goes out of its way to promote a particular brand of sweets.

These are just some of the examples of not-so-covert advertising which Britain's National Consumer Council discovered when it took a look recently at business sponsorship in schools.

Business sponsorship of educational material, already a million-pound industry, is on the increase. Companies are being exhorted from all sides to take a greater interest in education. Schools, strapped for cash, are often grateful for business-produced pamphlets, video tapes and so on, many of which are of a high quality.

Yet there have also been grumblings for years from within the educational world about some aspects of business activities in schools. At their most blatant, they can tail into advertising. More subtly, they can cut across themes, such as that Britain is a multicultural society, which the education establishment is trying to promote.

The NCC, a consumer watchdog formed by the Government, issued a report, Classroom Commercials, in 1986 highlighting some of these problems. Using an admittedly small sample, it found that one third of business-sponsored educational material was inaccurate in some way and over a half was guilty of promotional bias.

The council has now followed up this report with guidelines for business sponsors in schools. The working party responsible for the guidelines was carefully chosen to reflect business, consumer and educational interests. The main points are:

- Eductional material must not try to influence what children or their families buy – either by an implicit or explicit sales message or through highlighting an advertising slogan. While a sponsor's name should always be prominently displayed, trade names or logos should be used sparingly.
- Promotional material should never be presented as educational, though it might accompany an educational pack.
- No attempt must be made in educational material to state, imply or show that a particular product or service is better than its rivals.
- Sponsors should accurately represent the broad range of informed opinion on any subject. They can put forward an argument on behalf of their industry, but must make clear they are expressing a particular viewpoint.
- Head teachers and governors must control what is given to pupils. No product samples and no educational material should be given direct to pupils without their school's permission.
- Sponsors should seek the advice of people involved in education before preparing materials. They must avoid sexual or racial stereotyping.

While the NCC is in no position to enforce these guidelines, it believes many education authorities and teachers will judge business-produced material against them. It is sending the guidelines to every education authority, as well as to parent governor organisations and the top 100 companies.

"We wouldn't say the guidelines have no teeth in that teachers are free to decide whether to use materials in the classroom. They are the gatekeepers and that's quite an effective sanction," explained the NCC'a Peter Grosvenor.

At the same time, the NCC believes the guidelines will not deter companies keen to produce high quality classroom aids. "We've been pretty careful not to turn off the tap. We believe the guidelines will appeal to companies' enlightened self-interest," Grosvenor continues.

The Advertising Association, representing the advertising industry, has already looked at the guidelines and agrees with the thrust of the NCC's contention. It says most commercial sponsors want to produce materials acceptable to teachers and the educational world generally.

Guidelines for Business Sponsors of Educational Material. NCC, 20 Grosvenor Gardens, London SW1W 0DH. Free for up to 50 copies; £5 for 50-250 copies; and £10 for more than 250 copies.

ORKEM A NEW NAME AT THE HEART OF CHEMISTRY.

After 20 years of activity in chemicals and a 2 year restructuring programme, CdF Chimie, a French company with FF 20 billion of revenue on a worldwide basis, now has a new name, Orkem. The name Orkem is fast becoming synonymous with the group's vast knowledge, experience and expertise. The symbol is recognized and respected by other professionals in the field. Behind the name Orkem are four specific areas of expertise.

Chemistry, with applications in numerous industries: packaging, insulation, composite materials, glues, adhesives and resins.

Fertilizers: today, Orkem is the second largest European producer in this field.

Inks: the group ranks high among the key worldwide producers, through the association of Lorilleux and Coates of Britain.

Paints: today, Orkem is the leading French producer.

Today, Orkem is the latest major French company, and is determined to become an established name in worldwide chemistry.

ORKEM

CHEMISTRY FROM THE HEART

Young & Rubicam - Capital Image 88

TECHNOLOGY

Modern-day Holmes helps to thwart the criminal

David Fishlock reports on advances in forensic science that should improve detection rates

The growth in violent crime in Britain could be curbed if the separate routes to identifying offenders were nationally co-ordinated.

That is the view of Robert Cozens, who has just retired as senior police adviser to the Home Office's science and technology group. He looks forward to the day when the branches of forensic science – involving genetics, psychology and automated storage, retrieval and matching of information – will be orchestrated to undermine the criminal's chances of anonymity.

Individually, each technique makes a powerful contribution to detection. Collectively, in Cozeos's view, they could achieve near certainty in identifying offenders.

Until 1984, Cozens was chief constable of West Mercia in the Midlands, one of 51 autonomous police forces in Britain. At the Home Office, Gordon Wasserman, a senior civil servant, had been questioning the value of a decade of research.

Wasserman asked Sir Ronald Mason, newly retired as chief scientific adviser to the Ministry of Defence, to investigate the cost effectiveness of Home Office science in support of the police. Cozens was brought in to guide the inquiry from the police point of view. The Mason report found that the scientists tended to tackle the problems that interested them, rather than the ones the police wanted solving.

As Cozens now sees it, "violent crime could turn out to be the problem that undermines everything else we are trying to do to improve the quality of our lives." He is particularly worried about the spread of gratuitous violence.

At the same time, what he sees as the greatest deterrent to crime – the risk of being caught – is being undermined. Traditionally, it has depended heavily on skilled interrogation. This is being countered by greater awareness and education on the part of the offender and stronger legal protection, he says.

Since 1984 police science, funded by the Home Office at the rate of between £3m and £4m a year, has focused on five techniques:

- DNA profiling. The most exciting development, says Cozens, is based on the work of Professor Alec Jeffreys and forensic scientists at Leicester University. They discovered a segment of genetic material that can be used to probe for the mini-satellites of DNA present in the chromosomes of every body cell. This probe splits the genes to produce a pattern of bands on X-ray film that is unique to each person.

Moreover, a faithful gene pattern can be produced not only from a fresh body fluid, such as blood, but from dried stains and traces of tissue. Stains as old as four years have been identified.

DNA profiling – now the commercial property of ICI – has the potential to record sex and colour of hair and eyes, says Cozens. British legislation is already in prospect that would allow the police to log the DNA profile from a blood sample, as well as the fingerprints, of every offender convicted of serious crime. The profiles would go into a national database.

- Psychological profiling: This tries to predict the likely kind of offender from a systematic analysis of the scene of the crime, choice of victim and nature of the offence. The approach was pioneered by the Federal Bureau of Investigation and the US has a national database.

This type of profiling has been used successfully by several UK police forces, most notably by the Surrey Constabulary in the case of John Francis Duffy, who was jailed in February for two murders and five rapes. A profile had been constructed by Professor David Canter, at Surrey University, and Duffy resembled 13 of the 17 aspects of the description.

Canter has a Home Office research contract to study series of rapes. A parallel study is planned by the Prison Psychology Department on convicted offenders in Broadmoor Hospital.

- Automatic fingerprint recognition: The fingerprint is still the only positive means of identification used by the police. In Britain, some 20,000 criminals were identified through fingerprints in 1986. But this was done manually, mostly from collections held by local forces.

Several companies offer automatic fingerprint recognition (AFR) systems, which could allow police forces to search a national fingerprint collection – with 3.5m entries in the UK. The Home Office is evaluating proposals for a pilot AFR system for the Metropolitan Police, London, linked to a provincial force. But a national system capable of searching 3.5m fingerprints could cost £40m, says Cozens.

- Photograph retrieval: Present methods of cataloguing "mug shots" depend on traditional photography and processing, which cannot be made cost effective, says Cozens. For the past two years the Home office has experimented with video recording, from which a still is selected electronically and recorded on optical disk, along with the offender's name and description.

In this way a fast retrieval library of photographs can be compiled. Such systems are commercially available and some police forces already plan to replace their traditional albums.

Closely related is Home Office research into electronic photofit, employing computer graphics instead of a collection of cards to build up the picture under the guidance of a witness. This opens the possibility of automatically matching an electronic photofit with a shot already stored on optical disk. But electronic photofit needs a big database.

Home Office scientists are working with Lancashire Constabulary and Aberdeen University on a system called Faces, in which a computer encodes a verbal description and uses it to search for the best match with a photograph.

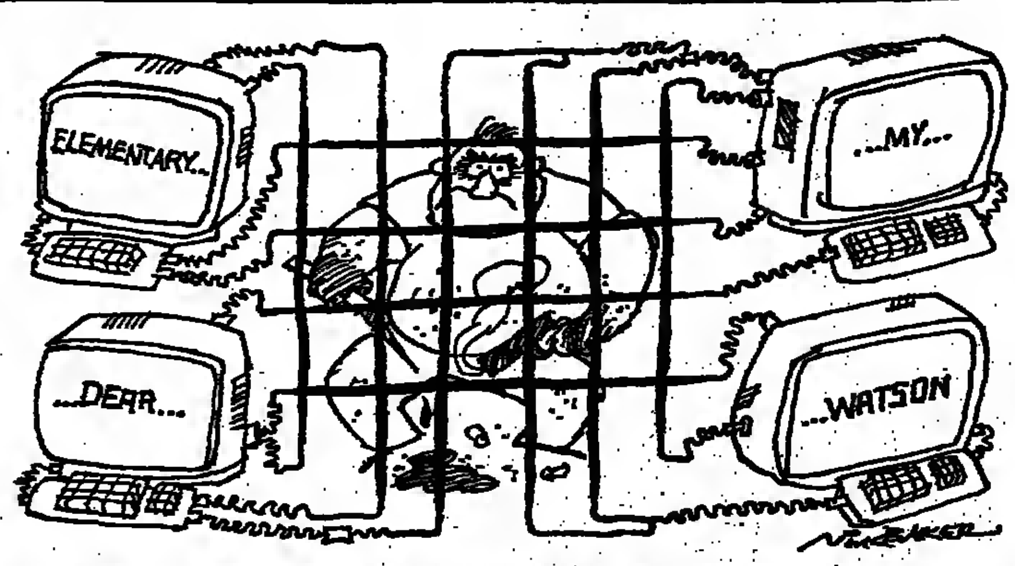
- Holmes: The fifth technique, a computer-based investigation system for major crime, has been under development since the Yorkshire Ripper murder inquiry exposed the weaknesses of the manual systems, based on keeping cards in shoe boxes. For two years it has been possible to analyse violent crime nationally.

The acronym Holmes stands for Home Office Large Enquiry System. It has three modules, catering for indexing, action and document management, and is available from such companies as Unisys. It underpins the other four technologies, says Cozens.

"For the first time we have access to an ever-expanding series of computer databases on a common system in a form that readily lends itself to analysis and cross-fertilisation." The power of this system in spotting crime patterns, providing criminal intelligence and developing means of prevention makes him optimistic about police ability to combat violent crime.

The Home Office now wants to add artificial intelligence – the ability to make deductions – to Holmes.

David Fishlock



Paperless system for transporting goods

By William Dawkins

EIGHTY European companies have launched a trial computer-based system that should provide a faster and cheaper alternative to exchanging transportation documents.

Code named COST-306 by the European Commission, its sponsor and co-ordinator, the trial will run until next April. It involves the computerisation of transport-related communications, such as tendering for freight and invoicing. Shipping companies, forwarders and carriers, manufacturing groups and government departments are among those taking part.

The project is symptomatic of the fast growing interest in computerised trading methods among companies which have to process large amounts of paper. This is proving increasingly costly as cross-frontier trade grows within the European Community.

The main challenge has been to find common standards for presenting documents by computer because businesses have become accustomed to laying out the information in different ways. For the past three years, the participants have been working out standardised formats so that their different computer systems can converse.

Paper documentation accounts for between 3.5 and 7 per cent of the cost of shipping. The Commission estimates that the figure can rise to 15 per cent if delays caused by wrong documentation are included.

It predicts that replacing paper with electronic data could shave between 3 and 4 per cent off the final shipping bill. Moreover, the growing trend among manufacturers towards using "just in time" stock control to cut costs will increase the need for accurate and frequent deliveries of small consignments.

A demonstration manual, outlining the automated procedures, uses the syntax rules agreed by the UN/Economic Commission for Europe in 1987 and on the UN/Trade Data Elements Directory.

Contact: Henk van Maaren, COST-306 project manager, c/o Cetima Consultancy, Oosthavenkade 89, 3134KA Vlaardingen, The Netherlands.

Research nurtured by the production line

English Electric Valve (EEV), founded in 1940 to make components for Britain's Second World War radar defences, has always been one of the most independent-minded subsidiaries of the General Electric Company (GEC).

EEV is unusual in the openness of its financial planning and in its research and development policy: it has no technical director and no specialist R&D staff. Production staff are responsible for R&D.

In the interests of good employee relations, Michael Mandl, managing director, publishes a detailed budget for the year ahead, including forecasts of sales, orders, profits, expenses, capital investment and R&D spending. The 1988/89 budget shows sales up 15.5 per cent to £86m, profit up 10 per cent to £12m and R&D up 57 per cent to £5.5m.

This month Mandl and his colleagues have boldly produced a "statement of strategic intent" looking ahead six years – a highly controversial move within GEC. By 1994, EEV will have an annual turnover of £150m and have acquired or established a factory in North America, Korea or Japan, says the document. EEV now manufactures only in England (in Essex and Lincolnshire), though half the production is exported.

EEV makes specialised electronic components and systems – 1,300 standard products in 32 manufacturing operations. In some ways it epitomises the way in which the UK electronics industry has successfully concentrated on profitable niche markets, while leaving the mass markets to overseas competitors.

Its products include microwave tubes such as magnetrons (power sources for radar and linear accelerators); power devices like hydrogen thyratrons for lasers; electro-optical devices including sensors which make it possible to "see" at night; and specialised displays, such as liquid crystal (LCD).

Martin Jay, former managing director of EEV and now responsible for GEC's electronic components companies, says that part of the strategy for developing products will be to reduce reliance on military customers, which account for more than half the sales.

According to Mandl, a constraint on EEV's growth is the difficulty of recruiting good staff, particularly scientists and engineers. House prices in Essex are prohibitively high for people who might otherwise move down from the North.

The company spends £1m a year on training and sponsors an undergraduate engineering course at Lancaster University, but it is still short of almost 300 people (the present workforce is 2,800).

Its unusual R&D policy helps in the battle for graduates. "Because there is no distinction between development and production, the bright young engineer can grow with his product right through from the first stages of research to production," says Jay.

Section leaders first discuss R&D proposals with their marketing colleagues. If they agree that the development is justified in terms of its sales potential and technical feasibility, it goes to the managing director for approval. "Once I approve it – and I usually do – it's up to the section manager to divide his resources between the need to satisfy existing customers, through production, and the need to do the R&D," Mandl says.

Apart from keeping staff morale high, EEV managers say that the main advantages are that innovations can be put into production more quickly than if they came from a separate R&D department and they are more likely to work well on the production line.

According to Mandl, EEV's fast R&D work has helped it keep a world lead in many of its key product areas. For example, it supplies 85 per cent of the magnetrons used worldwide in medical linear accelerators for radiotherapy treatment of cancer, consistently improving their stability and power.

The company beat off an attempt by Toshiba and JRC of Japan to seize the market for marine radar magnetrons by designing a new range of light-weight products. Even though Korean and Japanese companies are now the leading manufacturers of radars for boats and ships, EEV continues to supply the key component, the magnetron.

However EEV staff admit that the policy has some disadvantages. Research is sometimes neglected when there is a high demand for engineering effort on the production side. This happened last year when the company planned to increase R&D spending by 45 per cent, but achieved less than 10 per cent.

Another potential problem, says Jay, "is that you may develop tunnel vision and just perpetuate yourselves. It's difficult to identify a totally new technology."

To guard against this, EEV keeps in close contact with GEC's central research facility, the Hirst Laboratory, from where it has drawn such new technologies as CCT and LCD.

Clive Cookson

Appointments Advertising Also Appears on Page 26

Music theatre workshops backfire in Berlin

This year it is the turn of Berlin to be the cultural capital of Europe and the city, which is always busy during September with the annual Berliner Festwochen, is bursting at the seams with artistic events of every kind. Among the participating countries, it is especially heartening to note that Britain is taking a leading place thanks to the work of the British Council.

Among the major attractions, at least in advance, was a three-week workshop of new music theatre. A short journey from the centre of Berlin on the U-Bahn takes you to a fairly grim part of the city not far from Checkpoint Charlie, where among the starkly functional blocks of flats and industrial units you will find the Hebbel-Theater, a small and friendly theatre which has been playing host to the workshop's various student and professional groups.

Of the seven companies taking part, I saw two last weekend. (Glyndebourne Touring Opera had left a week before.) Nothing in what they did has made me feel any less strongly that the basic idea of the workshop is exactly what a festival of Berlin's kind needs to give it a real purpose. But there is no reason to be anything other than frank in saying that the four operas they performed were at best slight in interest, and at worst a downright embarrassment.

The Wiener Kammeroper were the more disappointing of the two, simply because their recent visit to London with Ullmann's *Emperor of Atlantis* had raised hopes so high. Quite why they thought a piece as infantile in the humour as Tom Johnson's *Vier-Ton-Oper*, a vastly overlong skit on operatic conventions, should be appropriate for this kind of workshop is a mystery. It certainly could not have been for the music, as there was none worth talking of.

The other half of their double-bill was a mite better, albeit hardly a work of major importance. Luciano Chailly is the father of the conductor Riccardo and composer of a large corpus of operas. His thirteenth, *La Cantatrice calva*, is taken from Ionesco and promises a scenario that will dabble its toes in the theatre of the absurd. Yet what results is a gentle lampooning style that raises few laughs and all too many long faces, as the action is dragged out way beyond the capacity of its material.

There is a certain type of experimental art-work that one always dreads coming across, including that final and awful embarrassment: audience participation

As the musical lineage of the Chailly family has assumed such importance, it would be nice to report that certain formative influences of style and tradition have been passed down from father to son. But, alas, the musical score evinces little personality of its own and the effect of the whole is flat and inconsequential.

By contrast, the Hochschüle fur Musik of Hamburg certainly made a strong impression, for better or worse. Their double-bill started well with the *Trois Contes de l'honorable fleur* by the French composer Maurice Ohana, which was easily the most rewarding offering of the week-end. This takes the form of a brief collection of Japanese myths, related over an accompaniment of fine-tuned oriental and impressionist tone colours, which says just what it wants to say and no more.

It remains, however, a slight work that needs to be put in tandem with something more aggressive. And on this point nobody can say the Hamburg students did not oblige, for their second choice in Hans-Joachim Hespos's *Nachtvorstellung* turned out to be a pretty bloody piece in every sense. There is a certain type of experimental art-work that one always dreads coming across at workshops and this one had every cliché, including that final and awful embarrassment: audience participation.

The musicians sat on stage, wearing contraptions like miners' helmets with pages of the score hanging down in front of their eyes and lamps so that they could see what they playing in the dark. This enabled them to move around and in the second half they duly came down among the audience (those of us who were left) to ask if we would like to perform. As there was no apparent logic or design to the score, our participation will have made little difference.

As for volunteers to go on stage, there were no takers, though that is hardly surprising when the first woman to appear had been garrotted by a band of punk lesbians, and the only men in the cast had been stripped and whipped in the second scene. One older man who did go up (I take it he was a member of the cast, not audience) was bundled on to an operating table and had his entrails removed in gruesome detail. In most events of this kind one feels that the performers are enjoying the show even if you are not, but in this case I was not so sure.

With Glasgow's turn as cultural capital of Europe imminent, there are clearly lessons to be learned here. Berlin has done well to come up with such an adventurous idea and bring together performing groups of mostly high calibre. (The singing and stage design work of the Hamburg team in the Ohana opera deserve special note.) But without operas or music theatre of sufficient worth the plan is liable to backfire badly. The Scots should start planning ahead now.

Richard Fairman

Simon Russell Beale

Alastair Muir

Restoration

SWAN, STRATFORD-UPON-AVON

After Wycherley, Etherege and Farquhar, the Royal Shakespeare Company rounds off its Restoration season in the Swan, Stratford-upon-Avon, with a fine revival of Edward Bond's 1981 Brechtian deconstruction of the genre in *Restoration*.

On the working class underside of the Restoration system, the only way up in the world was at the end of a rope, especially if your hand had been caught holding a silver spoon or candlestick.

Bond pins his vicious fop, Lord Are, to a scene of mock pastoral in preparation for snaring the merchant's daughter, Ann. His foppishness is then twirled as an instrument of domestic torture. When he kills Ann (angrily played by Melanie Thaw), who had been silly enough to believe his promises of theatres and society dinners, he frames one of his servants, Bob Hedges.

In this, the last of his pastoral moralities, Bond reworks the East Anglian class hierarchy of a play like The Fool into a vital hybrid of demonstrative revenge songs (set to new music by Ilona Sekacz), emotional prison scenes, comic murders, ghosts and blunders. Like Claudio in *Measure For Measure*, Bob Hedges, played with trembling susceptibility by Duncan Bell, is persuaded of the necessity of his sacrifice.

Bond's own Sloane Square production was one of the worst arguments I have yet encountered for the value of authors directing their own work. Roger Michell lays out the play cleanly on a bright white set designed by David Fielding and, as in all the best Bond productions, makes concrete the images in space. The RSC performance is razor sharp, faltering only when one or two of the early songs become technically bogged down.

The piece contains two of Bond's best ever scenes, and they are brilliantly done here. Lord Are receives his wife as a ghost before breakfast and stabs her through. Simon Russell Beale, who finds even more colour and variety in the role than did Simon Callow, passes the corpse off as Bob's hallucination. The staging here is piercingly precise and very funny, Russell Beale adding all sorts of small laughs to the guaranteed responses to such delectable neo-archaisms as "A man cannot think with his dead wife sprawled on the carpet."

Hedges' pardon is later burned by his own illiterate mother (Pip Hinton) to start a fire. Bond's Brechtianism is not always as poignant as this. Patricia Lawrence transmits the Old Lady Are speech like Miss Havisham in a wheelchair. Other performances to strike home are Mark Spreston's as more not so servile rope fodder and Vivienne Rochester's as Bob's tear-stained black wife left to draw a moral, but no money, on London Bridge.

Michael Coveney

Follies

SHAFTESBURY THEATRE

"Thirty years of total neglect and this is what you get!" exclaims Daniel Massey of the derelict theatre in which *Follies* is set; but he might be referring to the composer/lyricist Stephen Sondheim, surely the most cultish habitual failure in show-biz, whose works are regularly hailed as heirs to da Ponte/Mozart Gilbert/Sullivan Boito/Verdi by a small group of vociferous critics and almost as regularly rejected by the paying public as pretty boring. A more apposite comparison might be with the flimsy monumentalism of Meyerbeer, that inflatable rubber dinosaur of the musical stage.

So what do you get after 30 years of minority modishness? A sumptuously starry production at the Shaftesbury Theatre, now well into its second year complete with major cast changes; the sort of show where the actors get applauded as they make their entrances (a trifle embarrassing as the lesser stars are greeted with puzzled politeness); and direction (Mike Ockrent) and design (Maria Björnson) that pile on the trappings to disguise the thinness and banality of this depiction of a reunion of ageing showgirls and bittersweet memories of love that might have been.

The production is bigger if not necessarily better than the European premiere at Greater Manchester's Wythenshawe Forum two years ago. (A survivor of that cast, Meg Johnson, now at the Shaftesbury, cheerfully unbalanced her dancing partner as she hurled herself into his arms last Thursday.) We need all the illuminated staircases and intrusive ghost showgirls we can get to pad out the vacuous bustle of Sondheim's not quite tuneful score, the sophomore cleverness of his not quite witty lyrics, the Reader's Digest sophistication of the hollow central story of the two middle-aged couples reliving regrets.

Eartha Kitt

These four principals are fairly colourlessly played by now. Mr Massey looks bored beyond the call of Wall Street wizardry (this character is insufficiently contrasted with his rival in love, the ranch-owning country clubman — at least to Anglo-Saxon perceptions).

Julia McKenzie is not in the steadiest voice but sings in tune, unlike newcomer Millicent Martin whose vocal wobble is now so marked it is sometimes hard to tell what note she's singing. As a successor to Diana Rigg, Miss Martin generates the glacial sophistication of a temporary shorthand typist from Penge. Why on earth Wythenshawe's superb Josephine Blake was not press-ganged into the role is a puzzle locked in the uncommunicative bosoms of God and Cameron Mackintosh.

The much rewritten book retains tantalising shreds of character vignettes: Maria Charles and Hope Jackman ("Broadway Baby") make their mark. Poor Eileen Page is now lumbered with the irrelevant Viennese waltz parody which, like all Sondheim parodies, merely sounds like Sondheim.

The chief glory of the performance is Eartha Kitt, an ageless sphynx who broods over the proceedings with the disdainful dignity of a marquise finding herself sharing a tumbril with her bank-manager's wife. Her superb delivery of each line, a cross between a snarl and a purr, makes the tritest remark sound witty. Her version of "I'm still here," that hymn to show-biz survival, is tremendous, heart-pulling music-theatre. Miss Kitt displays more professionalism, charisma, star-quality, call it what you will, in one feline grin than the rest of the proceedings combined. But she does show up the dishonest pretensions of this hollow, sentimental show as all the more repellent.

Martin Hoyle

Wishart's Vox

KENSINGTON TOWN HALL, ALBERT HALL

With new pieces from Finnissy, Barry and now Trevor Wishart, no one could complain that the Proms committee this year have stuck to the closed community of establishment composers. Monday's late-night Prom in Kensington Town Hall, given by Electric Phoenix, was devoted to the first complete performance of Wishart's *Vox* cycle for amplified voices and four-channel pre-recorded tape and the commissioned work, *Vox 6* rounded off the evening.

Wishart's exploitation of extended vocal techniques dates back more than a decade, but the sequence of *Vox* pieces, begun in 1982 when Electric Phoenix commissioned the first piece, has become his most systematic and comprehensive treatment of the genre so far. It is not at all, though, a didactic catalogue of effects; in programmatic terms the pieces outline the cycle of a creation myth from birth to rebirth, and Wishart has, perhaps tongue-in-cheek, identified each of the pieces with a different phase of that progress, and the social interactions they imply.

Only the final section has a text. The fifth is for tape alone, and its predecessors gradually grope towards musical and verbal articulacy. The voices emerge out of a taped welter of primeval noises in *Vox 1*, hardly able to make themselves distinct; in the second they mimic the sounds of the natural world, in the third begin to acquire rhythmic direction and with it some echoes of Berio-like scat-singing, and in the fourth an anarchic independence. So the focus gradually shifts from the sounds themselves to their social significance, and the explosion of gestures in the fourth leads to the movement for tape alone which presents an aural kaleidoscope of the modern world, sound objects transformed and elided into what Wishart calls it the "voice of Shiva."

If the first five sections of *Vox* could be taken as a paradigm of the evolution of human society towards its own destruction, what follows and provides the catharsis, even the salvation, is both utterly unexpected and exhilarating. The tumult of civilisation is replaced by sugar-sweet harmonies and the unmistakable formulas of 1980s disco funk, the voices combine with taped versions of themselves to build a multi-layered rapping texture and the music flowers into a universalising dance. It is a perfectly judged transformation, one that seems contrived in theory yet in practice provides the ideal moment of celebration. As the structure becomes more complex, the music becomes easier to assimilate. Wishart has created both a superb vehicle for the talents of Electric Phoenix and a teasing, paradoxical piece.

*

There was, unfortunately, rather less that was unexpected or exhilarating in Peter Maxwell Davies's Oboe Concerto, which the Scottish Chamber Orchestra, conducted by Davies, brought to the Albert Hall on Tuesday. The concerto is the first of the series of ten commissioned from Davies by the Strathclyde District Council for the principals of the Scottish CO, and it was first performed in Glasgow earlier this year. It is cast in a classical fast-slow-fast mould, the first, rather sombre fast movement preceded by a slow introduction and capped by a lengthy and hugely demanding cadenza, the slow movement gently lapping, bittersweet-tinged, the finale consciously summatory.

At the heart of the work is a fragment of Pentecost plainchant, and references to that appear to surface immediately after the cadenza. But Davies's technical processes are now so adroit, his facility so assured, that the musical surfaces have become almost over-polished and the seams quite invisible. Robin Miller played the concerto superbly and it certainly lies well for the instrument, but it is hard to get used to the idea of Davies as a composer of comfortable music. The risks have been eliminated all too convincingly.

Andrew Clements

The rise of the Czechs

Czech Opera by John Tyrrell. CUP, 352pp, £25.

Dr. Tyrrell's prodigiously thorough survey of the rise and ascendancy of Czech opera is not a book to pick up and read for light entertainment; nor, for the *aficionado*, is it a book very likely to surprise with the nature of its insights: out of the increasingly fertile soil of mid 19th-century nationalist opera in the "Czech lands" it is, of course, Janáček who grows to greatest stature.

But here, amid the study of an important cultural manifestation, are the hard reasons why Janáček is such a great and universally adored opera composer, and why his contemporary Josef Bohuslav Foerster is not.

A compelling section of Tyrrell's chapter, "Composers", compares in detail Foerster's opera *Eva* (1894-9) with the opera that finally established Janáček's reputation *Jenůfa* (1893-1904). Both composers adapted their own librettos from plays by Gabriela Preissová, both of which are set, we are told, "in the same ethnographic region of Moravia". Otherwise, it is dissimilarity which tells.

"Preissová's *The Farm Mistress* has a cast of twenty which Foerster reduced to six. Janáček, on the other hand, retained all the individual characters of Preissová's *Her Foster-daughter* and in a series of skilful vignettes brought alive even the smallest of them. No doubt Janáček considered the peripheral characters an essential ingredient of the folk element of the play . . . Foerster, however, avoided folk-music references even in the choruses . . . But perhaps the most salient difference between the two works was Janáček's bold decision to set Preissová's play in its original prose, while Foerster first turned *The Farm Mistress* into rhymed verse before he began composition."

The courage to break with convention and forge ahead in prose, to push the compositional and dramatic implications of folk-song and folk-speech to their fullest artistic realization is what marked Janáček out as a man of the twentieth-century, a man truly seeking a new realism in his art and consequently able to communicate with audiences far beyond the language culture of the lands which he lived to see become (after 1918) Czechoslovakia.

The study has much to say about the operas of Smetana and Dvořák and a number of lesser names, and crystallises its subject with impressive academic skill if not much sparkle. For those readers who wish to take the story (much) further (Tyrrell leaves off with Janáček's death in 1928), I would recommend Milan Kundera's essay "Prague: A Disappearing Poem" (*Granta* 17), in which Janáček plays a leading role. Kundera nicely observes that "before Olivier Messiaen, before Edgard Varèse, Janáček was enthralled by concrete music, by the noises of nature, by bird songs; but above all ... Janáček studied spoken language and its intonations". And, lest we be in any doubt about Janáček, Kundera states: "Along with Kafka, he is the greatest personality in modern art in his country".

Paul Driver

ARTS GUIDE

September 9-15

EXHIBITIONS

Paris

Carte Musées et Monuments, sold in museums and Metro stations, enables visitors to avoid queues at 60 museums and monuments, including the Louvre, Musée d'Orsay and Versailles Palace.

Centre Georges Pompidou. The Fifties, taking over Beaubourg for three months from the ground floor upwards. The postwar creative dynamism of the Fifties is represented by cars, comics, music, cinema, literature, industrial creation and — on the fifth floor — by visual arts. The great figures of Matisse and Picasso open the exhibition with works in black and white; monochromes by Yves Klein and Montana close it. (42.77.12.33). Closed Tue. Ends Oct 17.

Institut du Monde Arabe. Holy Places in Saudi Arabia. Magnificent architectural models of the Kaaba in Mecca and of the Prophet's great mosque in Medina, provide non-Moslems with a realistic image of the shrines of Islamic pilgrimage, to which they normally have no access. Manuscripts, works by the traveller Richard Burton and 17th century Turkish ceramics complete the exhibition. 23 Quai Saint-Bernard (46.34.25.25). 1 pm till 8 pm, closed Mon. Ends Sept 18.

Musée d'Orsay. The spectacular museum of the 19th century is situated opposite the Tuileries Gardens within the metallic structure and the glass-roofed vault of the vast Belle Epoque railway station. It houses paintings, sculptures, objets d'art and photographs from the end of the romantic period to the beginnings of modern art and the Impressionists and post-Impressionists collections formerly in the Jeu de Paume. Here they are counterbalanced by academic painters, their contemporaries. The view of Paris from the terraces is an additional delight. 1 Rue Bellechasse (454 9481 4). Closed Monday.

Picasso Museum. The 17the century Hotel Sale, sumptuously restored, provides a fitting home for the world's largest collection of Picasso's work. It comprises 203 paintings, 158 sculptures and more than 3,000 drawings and engravings, 16 collages and 88 pieces of ceramics. It is completed by Picasso's own collection of paintings by his friends, such as Braque and Matisse, or by artists he admired, Renoir, Cézanne, Douanier and Rousseau. 5 Rue Thorigny (42.71.24.21). Closed Tuesdays.

Musée de Cluny. Mediaeval art in Paris. The abbots of Cluny built their magnificent late Gothic town house in the heart of the Latin Quarter on the blackened ruins of Roman baths. Now a museum, it houses mediaeval works of art — goldsmiths' work, carved altar pieces, ivories, fabrics, with two English royal standards embroidered in gold on red velvet. In a rotunda of its own is a set of the Lady and the Unicorn mille fleurs tapestries — an allegory of the five senses, one of the masterpieces of medieval art. Place Paul-Painleve, Métro Odéon. Closed Tuesdays and lunchtimes (43.25.62.00).

Munich

Haus der Kunst, 60 Prinzregentstr. An important exhibition, centred on the city of Munich, which provides a broad view of the West German cultural scene. There are about 640 works — paintings, graphics and plastics — by 470 different artists, including over 100 women. Twenty-two works by the Austrian painter and sculptor, Alfred Hrdlicka, form the highlight of the show. Ends Sept 11.

Schleswig

Schleswig Holstein Landesmuseum. 1,000 years of Russian Art. This exhibition celebrates the 1,000th anniversary of the Russian Orthodox Church, taking as its theme the new alliance between church and state. Following its Moscow première in June, opened by Raisa Gorbachev, it has now moved to Schleswig, celebrating the special relations between the German state and Russia. The 458 selected pieces are on loan from 14 different Soviet museums, with the highlight provided by 130 icons from the 13th to the 20th century. Modern painters include Kadinsky, Natalja Gontscharowa and Kasimir Malewitsch. Ends Oct. 24.

Vienna

Museum of Modern Art/Museum of the 20th century. Works by Oswald Oberhuber, one of Austria's finest artists. Ends October 26.

The Austrian National Library. The Arab world in Europe. A marvellous collection of letters and other literary items. Ends October 16.

Hermes Villa. Portraits by the fin-de-siècle artists, Gustav Klimt and Emilie Floege. Ends Feb 19.

Secession. Klimt's Beethoven Frieze is now back in its rightful and original place in the restored Secession. The Secession was founded by a group of artists, Klimt included, at the turn of the century. At the time, it provided a haven and experimental ground for artists who were tired of the old established and conservative Kunstlerhaus or arts Academy.

Visitors to Vienna must see the work put into the restoration. Besides the excellent lighting and colour scheme, the furniture, all Austrian designed, is a real eye-opener on the wealth of creativity which is taking place among the small crafts industries which have sprung up in recent years.

Venice

Palazzo Grassi. The Phoenicians. The fourth major exhibition at Fiat's imposing art centre on the Grand Canal attemps to give a complete picture of this extraordinary people, who dominated trade in the Mediterranean for over 1,000 years before their capital, Carthage, was finally destroyed by the Romans in 146 BC. The exhibition has been given a highly theatrical presentation by the architect Gae Aulenti. Sarcophaghi project at odd angles from a pile of pink sand on the ground floor of the Palazzo; in an upstairs room, model ships stand immobile in a rippling artificial lake. Many of the 1,200 objects displayed are extraordinarily beautiful and the 750 page catalogue, published by Bompiani, is excellent. Until Nov 6.

Rome

Palazzo Venezia. Imago Mariae. Over 100 works, including masterpieces by Gentile da Fabriano, Pinturicchio, Correggio, Giaquinto and Tiepolo, showing the progressive humanisation of the Virgin Mary from the austere figure of the Middle Ages to the gentle and accessible charm of the Renaissance and Baroque portrayals. Ends Oct 4.

Martigny

The Gianadda Foundation is showing the second part of treasures on loan from the Sao Paulo Museum. Entitled From Manet to Picasso, it is especially rich in Renoirs, from society portaits and little girls in frothy lace and pink and blue satin, to a fleshy nude. Van Gogh, too, is well represented. There is Cézanne's portrait of his wife, a Tahiti scene by Gauguin, early Picassos and Manet's Marie Lefebvre, riding side saddle all clad in black and looking as seductive as Bonnard's appealing nude or Degas' ballet dancers. (23978). Ends Nov 6.

New York

Metropolitan Museum of Art. An exhibition of architecture on paper covers four ceoturies of drawings including works by Frank Lloyd Wright, Louis Comfort Tiffany and Arata Isozaki, as well as the west facade of the Alhambra that dates back to 1580. Ends Jan 8.

Museum of Modern Art. Almost 100 black-and-white prints illustrate Matisse's influence during a 50-year printmaking career that included lithography, drypoint, etching and linoleum cut. Ends Nov 6.

Chicago

Art Institute. More than 50 Dutch and Flemish 17th century masterpieces from the Hermitage in Leningrad, including works by Rembrandt, Rubens, van Dyck and Frans Hals, kick off a collaborative effort by US and Soviet museums Ends Sept 18.

Tokyo

Tokyo National Museum. The Splendour of Turkish Civilization: Ottoman Treasures from the Topkapi Palace. The former Seraglio of the Sultans in Istambul boasts a magnificent location, overlooking the Bosporus, and houses a superb collection of classical antiquities, manuscripts, armour, textiles and other artefacts. This selection of 150 items focuses on the heyday of the Ottoman Empire, from the 16th to 19th centuries. Highlights include a steel helmet incrusted with priceless rubies, turquoises and amethysts, and a wooden throne inlaid with ebony, mother of pearl and silver. Closed Mondays.

Hara Museum of Contemporary Art. Shinagawa. Oil paintings by Tomie Ohtake, who emigrated to Brazil in 1936 and is now regarded as one of Latin America's liveliest abstract artists. This is her first solo exhibition in her native country and has beeo organised to commemorate the 80th anniversary of the arrival of the first Japanese immigrants in Brazil. Closed Mondays.

Japan Folkcraft Museum (Nihon Mingeikan), Komaba. Crafts from India. The museum is in an old Japanese farmhouse building which accords perfectly with the unselfconscious beauty of the objects. Closed Mondays. Ends September 25.

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Telephone: 01-248 8000

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The standstill in US imports

THE SHARP improvement in the US merchandise trade balance between June and July does not appear to be a flash in the pan. It is becoming increasingly clear that the trend growth of imports came to a virtual halt at the beginning of this year. There has been no discernible trend since February, and the July figure, although it appears at first sight erratically low, is only some $50m below the average value for the first seven months of this year. Indeed, the improvement in the trade balance would be still stronger had not the growth of exports also levelled off in the last three months, after the astonishing burst of nearly 40 per cent annualised growth in the previous half year. Reports from the Federal Reserve Board, and the steady rise in unfilled orders reported by the Department of Commerce, show that the underlying trend should still be strongly upwards.

It is not so easy to be sure about the future trend of imports. There are two obvious reasons why growth should have slowed: consumer demand is less buoyant in recent months, and an increasing quantity of goods previously imported are now produced in the US itself. However, consumption has still been growing by nearly 3 per cent annually in real terms, and demand for industrial plant is so strong that the US now has a modest deficit in capital goods. It is hard at first sight to believe that these demands can be met indefinitely by imports which are unchanged in value, and falling in volume.

Advance orders

What seems increasingly likely is that the large build-up in inventories at the turn of the year, widely read as a warning of an imminent recession, consisted almost entirely of imported goods, ordered ahead of need in the belief that demand would keep growing and the dollar would keep falling. Inventories have returned to normal rates of growth in the last two months, but there has been no sign of a rundown, and the latest report from the member banks of the Federal Reserve shows that retailers in many parts of the country are worried about excessive stocks, as sales remain sluggish.

Since consumer incomes are still growing at quite a healthy rate, and the most recent opinion surveys show growing confidence in the economic outlook, the weakness in retail sales may also prove to be a temporary dip. On the other hand the sharp fall in consumer borrowing shown in the most recent figures has been forecast for so long that analysts had almost given up hoping that it would actually happen: yet their reasoning, based on the idea that there must be some ceiling to the debt burden which consumers would be willing to carry, always looked convincing.

The US economy does in the end respond to financial signals as theorists would expect, but does so only after a long and unpredictable time lag.

Dollar recovery

It may be some months, then, before the long-term trend of import volume can be guessed at with any confidence. The value trend is even harder to guess, because the trade account has also been helped by two other developments: the recovery in the dollar, and the increasing tendency for low-cost suppliers in the newly-industrialised countries to capture markets previously held by European and Japanese exporters.

It still seems likely that the import trend will turn up again sooner or later, but increasingly likely that the upturn will be weak when it comes. The export trend, on the other hand, should be quite strong, given the improved growth rate among America's trading partners.

It seems clear that the trade corner has been decisively turned – provided that the markets, which have been slow to acknowledge this change, do not bid up the dollar so strongly that the export recovery is choked.

The myths of amateurism

IN THE film Chariots of Fire, about the 1924 Olympics, the hero Harold Abrahams incurs censure from his Cambridge college for lack of sportsmanship because he employs a trainer. But in the current BBC television serial about the breaking of the four-minute mile in 1954 the same Harold Abrahams is shown refusing to ratify a new record on the grounds that the runner was being "paced" rather than engaging in a genuine race.

In both cases the film is on the side of the young athlete striving to maximise his performance, while the older men are made fun of as benighted reactionaries. That makes for a better story, but is not self-evidently right. It could equally be that Abrahams was convinced, by 30 years' observation of the growth of professionalism in athletics, that his Cambridge tutors were after all less idiotic than he had thought. It could be that by introducing a professional trainer the young Abrahams had unwittingly taken the first step in the process that was to turn the Olympics from the cheerful affair depicted in Chariots of Fire into the less edifying spectacle of today.

Baron de Coubertin conceived the revived Olympics as an honourable test of endeavour between individuals. The contemporary games retain the quality of competition, but are heavily overlaid with commercialism, professionalism and chauvinism. The key to the transformation lies in the nature of the modern mass media, which enable a performance to be witnessed, and a hero worshipped, simultaneously by hundreds of millions of people.

Enormous rewards

The financial rewards generated by this process, especially for advertisers, are enormous. It is as unreasonable to refuse the personalities at the centre of it their share as it would be to expect them not to devote by far the greatest part of their time and energy to preparing for the decisive contests. One may deplore the extent to which the organisation of sport, and even in some cases the rules, have been subordinated to commercial needs, but it cannot be said that amateur sport – that is, sport played as a spare-time relaxation – has suffered as a result: the success of Sweden's professional tennis players, for example, has given a fillip to tennis at all levels in that country.

At the highest level of performance the notion of amateurism is incompatible with the kind of publicity which many major sporting events, including the leading Olympic sports, attract. To go on insisting on the formalities of amateurism simply laces the Olympic brew with an extra flavouring of hypocrisy.

Shared features

Commercialism is thus inseparable from any major modern sporting occasion. So probably is nationalism, from any such event with an international dimension. For nationalism itself is a product of the same processes: it is the expression, by large groups of people personally unknown to each other, of an awareness, generated through the mass media, that they share some cultural features which distinguish them from others and on which a particular state bases its claim to their loyalty. It used to be thought a joke, in Europe, that a football match could start a war between two Central American states. But it no longer seems so funny now that war, in a fairly literal sense, is carried on weekly between supporters of rival British football clubs.

In that respect the Olympics still seem relatively benign. They have not yet caused much, if any, violence. They may even be held to divert national feelings into peaceful competition and so to make war less likely. But the sheer volume of publicity they attract makes them an irresistible target for terrorism (as at Munich in 1972), while the intense national feelings they arouse make them equally irresistible as an instrument of political manipulation. African states in 1976, the US and some of its allies in 1980, the Soviet Union and its allies in 1984, all boycotted the Olympics in the hope of punishing other governments for their policies.

The one cheering fact is that all three of those attempts rebounded against their organisers, with the result that only North Korea and Cuba have thought a boycott worth trying this time.

Failing the small client

Clive Wolman on the City's handling of private shareholders

On the first anniversary of the City's Big Bang reforms last October, Sir Nicholas Goodison, the Stock Exchange chairman, said that the greatest disappointment of the first year was the mounting backlog of unsettled bargains and the associated problems of servicing small investors.

The slump in the volume of transactions for small investors since last October has ended the main cause of the backlog but it has also pushed most private client stockbroking operations into the red. The French Paribas Group announced on Tuesday that it was disposing of Sir Nicholas's own firm, Quilter Goodison, which has been suffering consistent trading losses for the last 21 months.

But over the last two years many of London's other securities firms have made similarly unsuccessful attempts to service the growing army of small shareholders who have trebled in size since 1979, attracted by rising stock markets and the easy money from privatisation issues. For example, heavy advertising by Kleinwort Grieveson of its execution-only Sharecall service shortly after Big Bang led to a rise in the firm's private clientele from about 2,000 investors to nearly 12,000. But the firm was unable to handle all the paperwork and the queries and the service was rapidly withdrawn.

The dismantling of the Stock Exchange cartel in 1986 was supposed to lead to keener competition, a slashing of prices and an improvement of service. But the main fruits of the Government's drive to achieve wider share ownership and popular capitalism since then has been administrative chaos in the back offices of broking firms, higher charges to small investors and growing disillusionment. Most firms now charge a minimum commission of between £20 and £25 for transactions of less than £1,500, compared with £10 to £15 before Big Bang.

Although new dealing outlets, such as a few building societies, are open to small shareholders, several large banks and securities firms have decided to pull out of private client stockbroking over the last six months. Shearson Lehman Hutton, which has one of the largest clienteles of private investors in the US, gave away its private client business to Nivison Cantrade and the Union Bank of Switzerland made a similar gift of Phillips and Drew's private clients earlier this month. ANZ Bank sold its profitable Capel-Cure Myers private investor subsidiary and Security Pacific has been trying to do likewise with its Hoare Govett subsidiary.

Stockbrokers failed to filter out high-cost transactions

The disillusionment is mutual. A Stock Exchange survey published in June showed that 5m of the UK's 9m shareholders held shares in only one company, which in 4.3m cases was a privatisation issue. The number of bargains carried out by small investors is running at only about 16,000 per day, less than half the peak in 1986-87.

The failure to achieve any further widening or deepening of individual share ownership has led to mounting anger and frustration amongst Government ministers. Last week Mr Norman Lamont, financial secretary to the Treasury, criticised the outmoded attitudes and systems of stockbrokers and their high charges to small investors. "Why is it that low cost share dealing and advisory services are so difficult to obtain, when, in contrast, life assurance salesmen seem to appear on the doorstep all too often?" he asked.

The Government must bear some of the blame for allowing several of the privatisation issues to be allocated in lots worth only £200 or less, too small to be handled economically. But the primary blame must be placed on the management of the securities firms. Although commission income from private clients may fall from £555m last year to as low as £300m this year, that figure is still above the 1986 level. It is nearly double that of 1983, which itself was considered a remarkably strong figure by stockbrokers who had suffered from nearly a decade in the doldrums. Commission revenue this year will be boosted by growing reliance on fees from portfolio management and valuations, which many firms have started to levy explicitly, even if they are offsettable against commissions.

The real problem has been the failure to control costs and the influx of new entrants with new capital which has created chronic over-capacity. The most important new entrants have been the clearing banks, previously barred from owning stockbrokers, which have been seeking to exploit their retail branch networks. Barclays and NatWest have so far made the largest impact but several building societies (in particular Cheltenham and Gloucester and Bristol and West) and a few foreign banks setting up greenfield operations, such as Sweden's Svenska Handelsbanken, may also become significant players.

The other source of new capital has been the grouping together of provincial stockbroking firms into partially integrated confederations backed by additional capital from outside investors. The two largest private client stockbroking companies, the National Investment Group, a grouping of seven firms, and Allied Provincial, fall into this category. These firms aim to centralise their settlement systems and spread research and marketing costs while retaining local autonomy.

The influx of new entrants has been partly responsible for cost inflation. Between 1984 and 1987, the salaries of experienced private client executives were bid up continuously by pressure from headhunters acting for the new entrants and for the 100 or more new unit trust management groups. Capel-Cure Myers conceded three across-the-board pay increases, worth about 50 per cent, in 1985 to its private client employees to prevent poaching.

The second element in cost inflation has been the growth of bad debts because of the lack of vetting of new clients. At the time of the stock market crash large firms such as County Natwest and small firms such as A.J. Bekhor were threatened with individual write-offs of more than £1m when clients defaulted.

But the most serious difficulties have arisen from the failure of stockbrokers to filter out those clients whose transactions they were unable to handle except at exorbitant cost and from their failure to streamline the processing of small transactions.

The underlying cause has been the traditional inability of stockbrokers, cocooned for 75 years by a price cartel, to get to grips with the economics of their processing operations. Few have been able to produce figures for the costs of running a settlements department in London, the south east or a much cheaper region, for the fixed and variable costs of settling and clearing a bargain or for the additional costs of contacting inexperienced investors who fill in forms incorrectly and lose stock.

Excessive conservatism is also to blame. Until the emergence of Barclayshare (based in Watford) a year ago, no firm set up a compulsory nominee system by which the stockbroker holds all its clients' share certificates in its own name even though tha savings through less paper shuffling, fewer delays, less chasing up and a lower risk of bad debts are substantial. Sharelink, the execution-only telephone share dealing service sat up 18 months ago by the Birmingham stockbroker Albert E. Sharp and British Telecom, has gone one stage further. Instead of assigning to different sub-departments the seven or so different functions needed to settle a bargain, it insists that one account executive who deals with the client handles almost the entire process himself. No London broker even considered such a radical reorganisation of its back office. But Sharelink has already attracted 23,000 clients and even in the current depressed market it is transacting more than 400 bargains a day compared with 150 a year ago.

The only other private client stockbroking operations which have remained profitable over the last 10 months of shrinking trading volumes have been those like Huddersfield-based BWD Securities and Brown Shipley, the marchant bank which has put together several provincial firms, with tough non-traditional management and low cost bases in the provinces. The average wage of BWD's 100 employees was only £11,400 in 1987, less than many teenage clerical workers earn when starting with a London stockbroking firm.

For the larger London-based private client operations, the main hope is new technology. The Stock Exchange is introducing this autumn an automatic share dealing systems which will allow small bargains to be transacted with market makers at the press of a button. Barclays de Zoete Wedd, the leading market-making firm, is already operating a rival system. More important, the Exchange is introducing at the end of next year an electronic settlements and share registration system, Taurus, which should ultimately allow broking firms to dispense with almost all paper movements in their back offices. Small investors can then look forward to a long-awaited rednction in charges.

The drive for wider share ownership led to back-room chaos

BOOK REVIEW

A history of accident

THE TRAGEDY OF AFGHANISTAN: A first-hand account
By Raja Anwar
Verso, £17.95

The human devastation of Afghanistan in the war since the Soviet invasion of 1979 has been of such a scale that it has become difficult to see the wound for the wounded. Who now clearly remembers who did what to whom during the chaotic decade prior to the fateful arrival of the Soviets?

The war statistics are numbing. Around 1.3m Afghans have been killed from a population of 15m and nearly half a million handicapped, a higher ratio of dead and severely injured than that suffered by the Soviet Union in the Second World War. Half the surviving population has been displaced either internally (2m refugees) or to Pakistan (3.2m), Iran (2m) and the West.

For nearly a decade small bands of Afghan mujahedin, often illiterate peasant farmers, have resisted the combined might of the Soviet Union and the Afghan Army loyal to the successive communist regimes in Kabul. The US, consistent with its policy of resisting the spread of communism, has fed increasingly sophisticated arms to the resistance.

Now the minnows appear to have beaten off the shark. Mr Mikhail Gorbachev, the Soviet leader, is pulling his 115,000 troops out. But the mujahedin auphoria over the success of their *jihad* and Washington's undisguised glee at the Soviet equivalent of the humiliating US exit from Vietnam ignore the problems yet to come. Will the minnows eat each other?

Afghanistan has a complex and violent tribal history. It was no accident that revolution eventually arrived in the impoverished, illiterate feudal state. Accidents, however, and breathtaking incompetence – after first the republican revolution in 1973 and then its communist successor in 1978 – were essential elements in the process that culminated in the fateful arrival of tha Soviet Army in 1979.

Raja Anwar gives a valuable perspective on how those mistakes were made. As Professor Fred Halliday says in the introduction to Anwar's account: "Never before has the argument so clearly been put that it was the adventurism and mismanagement of the People's Democratic Party of Afghanistan's leaders, not some Soviet strategic plan, that drew the Soviet forces into Kabul."

Mr Anwar is not an Afghan. He is a Pakistani socialist who lived in exile in Afghanistan only to find himself thrown into Kabul's notorious Pulcharki prison for three years from 1980 to 1983. This gave him an extraordinary insight into people intimately involved with the events before and after the invasion. They were either in office or in prison depending on their faction's position in the power see-saw.

The book's quantity of near-incomprehensible names, relationships and groups makes it a tough read. Nevertheless the effort is well rewarded; this account repeatedly and authoritatively gives the lie to so much of the distortion which both superpowers have perpetrated to reinforce their positions in the conflict.

Both the monarchical and republican attempts at social and political reform in the 1960s and 1970s were probably doomed, irrespective of the bungling, because of the primitiva state of education and industry. "The Afghans subjected to the crushing burden of feudalism and tribal custom for centuries did not possess the qualities which are basic to the establishment of representative government."

In the 1969 elections a third of members returned to parliament were illiterate and deeply ignorant: a tribal leader elected from Wardak said: "Since no minister has been elected from my area Wardak it is my humble request to the King that in keeping with his promise he should choose the next Secretary General of the United Nations from this area. Our biggest problem is the narrow road which runs through our settlements. So far, three of my trucks have met accidents on this road."

It was against this sort of background that the PDPA Communists launched their April 1978 revolution. Their plans for reforming education, land ownership and the plight of women were laudable, even if their methods were not, and clearly engaged the sympathies of the author. But as he stresses: "When a revolution takes place in a tribal society like that of Afghanistan . . . it cannot be kept alive in the name of the people when they are neither its makers nor its beneficiaries or inheritors." Nor can it can be kept alive by military force, as the Soviets have learned after nearly nine years of frustration and, ultimately, humiliation.

The real tragedy is that the death and destruction wrought by the Soviet invasion are but a terrible interlude. With the Soviet withdrawal half completed, all the signs are already re-emerging of the old Afghan habits of violent tribal disagreements. Left to themselves once again this battered people probably faces prolonged struggle, bloodshed and internecine warfare which will keep it widowed and impoverished. As the author says: "In a society where every group and every citizen is armed no government can possibly function."

Robin Pauley

OBSERVER

Not quite official

■ A rare honour awaits Wellington Tsao, Director of the Euro-Asia Trade Organisation, when he visits London as head of a Taiwanese trade mission next week. He and his colleagues have been invited to a party in the Department of Trade and Industry.

This is a breakthrough of a kind. The British Government is normally so fearful of offending China that it steers clear of trade missions from Taiwan. As a result, the Taiwanese mission to Europe a year ago left the UK off its itinerary.

The breakthrough, however, is only partial. The DTI is making its facilities available for the occasion, but will not be acting as host. That role is being left up to the privately-run Anglo-Taiwan Trade Committee. Nor will there be any ministerial presence. Presumably Alan Clark, the Trade Minister, will leave the Department by the back door on Tuesday when the celebration is in full swing.

Still, there will be informal contacts. British officials are expected to use the opportunity to remind the mission, whose main purpose is to redress their trade imbalance with Europe by ordering British goods, of their concern over Taiwan's apparent preference for US firms when ordering equipment for the Taipei mass transit system. There is also some anxiety over Taiwan's rising shoe exports to Europe and its restrictions on the import of Scotch whisky. The Taiwanese normally prefer brandy.

American ways

■ There continues to be some confusion about why some hurricanes are named after boys and some after girls. The explanation is that in the 1970s a group of US female meteorologists rebelled at all hurricanes being feminine. The system is that they now alternate. The current hurricane is called Gilbert. The next one will be something like Hannah or Harriet.

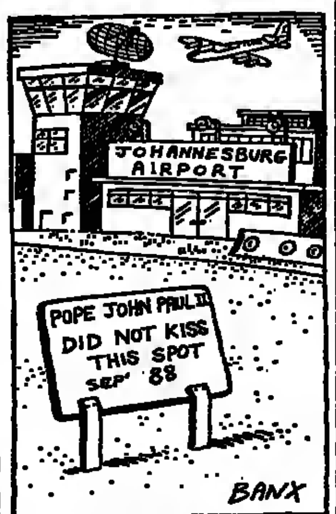
Another example of American logic that seems to escape many people is that east-west highways in the US have even numbers and north-sonth highways odd numbers. That has been so since early this century and is an extremely useful piece of information.

Galpin's pay

■ Standard Chartered's rights issue document yesterday is an illuminating sidelight on the gulf between public and private sector salaries. Rodney Galpin, the Bank of England director who takes over as Standard's chairman and chief executive next month, is to receive £200,000 a year. At the Bank he was paid £80,000. Thus Galpin will earn nearly twice as much as his former boss, the Bank Governor who recently had an increase to £122,000 to help him keep up with the priavte sector.

Howe's safari

■ "Imperturbable and placid," said one onlooker. He was not referring to Sir Geoffrey Howe, but Graham the hippo and star of the Uganda leg of the Foreign Secretary's African safari. Oblivious to the soldiers surrounding the landing stage when Howe and his host, President Yowero Musevent, returned from a cruise on Lake Edward, Graham was dining off the undergrowth. The President encouraged his guests to move within a few feet of the massive beast. Graham munched on. "He's even impervious to the press corps," remarked an admiring Foreign Secretary, recognising a kindred spirit.



These are, incidentally, happier times for Uganda, symbolised by the return of the animals to the Queen Elizabeth Park whare Howe spent the night. The park, opened by the Queen in 1954, was ravaged in the 1970s. The 9,000-strong hippo population was cut by a third. Now Graham has about 5,000 companions and the elephants have come back as well.

Italian style

■ The theme of this year'e Frankfurt Book Fair is to be Italy, a choice that appeals both to Italian intellectual vanity and their balance of payments. There will be a grand opening by the West German and Italian Foreign Ministers on October 4.

The Fair has never had a theme before. Peter Weidhass, the director, decided that a change of image was needed. Italy was picked, he said, because the Germans still saw Italians as grinning, spaghetti-eating gondoliers. A better acquaintance with modern Italian writing would bring them up to date.

Since publishing is the least adventurous wing of Italian culture, the Ministry of Tourism has rushed in to provide fringe events to fill any gaps. In Frankfurt and neighbouring cities there will be eight exhibitions of Italian art from the Etruscans onwards. Futurist music, contemporary theatre, and a massive series of Italian movies, many of them directed by the inevitable Fellini, will also figure. So perhaps the Frankfurt Book Fair really is being changed after all.

Sony's toy

■ Would you walk about with a few strips of bacon wrapped around your wrist? Obviously some people would, because that is one of the images offered in a new line of disposable wrist-watches by a subsidiary of Sony. They have paperboard straps and are being marketed under the name of Gottawatch.

Among other images on the 20 different straps so far available are male and female models, a sticking plaster, a crocodile, a box of chocolates and a variety of abstracts.

The Gottawatches are a mixture of Hong Kong components, Chinese assembly and Japanese marketing. They will be priced at Y480 or about £2 each and are expected to last only a few months. Sony thinks they will be a huge success at parties, as gimmicks or as joke presents.

Perhaps the great firm has made a mistake at last. Or perhaps not.

Modest man

■ Another sign seen on a car rear window in Chelsea: "I used to be conceited, but now I'm the nicest chap you could ever meet."

Maggie Ford explains why this is much more than the year of the Olympics for South Korea

Higher hurdles still have to be cleared

For South Korea, the successful staging of the Olympic Games in Seoul from next Saturday is only one of many hurdles facing the country in the next few months.

Others, of far more importance in the long term, must also be jumped:

- The country is only half way to democracy; much still needs to be done to create an enduring democratic system.
- The economy is suffering the strains of success and is urgently in need of structural change.
- Demands for a fairer society with better income distribution – along with a stronger say for workers, small companies and farmers – are growing. They must be reconciled with stable growth, curbing of vested interests and co-operative labour relations.
- Pressure is mounting for a new relationship – leading to eventual reunification – with North Korea.
- South Korea must establish a new basis for its relations with Japan, the former colonial power, and with the US, supporter of its anti-Communist ally for more than 40 years.

Handling these questions is largely the responsibility of President Roh Tae Woo – a man whom few people in South Korea could have imagined to be a democrat a year ago. Mr Roh, a former general involved in the 1979 coup d'état, still leaves most Koreans unsure of his underlying motives. The wave of demonstrations against authoritarian rule last year broke out on the day he was named as successor to the strongly disliked President Chun Doo Hwan.

Mr Roh responded by giving in to public demands for direct elections, in Decemhar 1987, in which he became president. But in April 1988, opposition parties gained a majority for the first time in elections to the National Assembly. Since then, national agreement over the pace of change and style of reform has grown. Opposition politicians and the moderate wing of the ruling Democratic Justice Party have made successful efforts to reflect public opinion, laying claim to the middle ground.

Mr Kim Dae Jung, the chief opposition leader, has offered his full support to the President as long as he sincerely pursues democratic change.

In the National Assembly,the three opposition parties have shown remarkable unity over the last six months, demonstrating their ability to operate what is starting to look more and more like a two-party system. The Government was forced to back down when the parliament voted against the President's candidate for a new Chief Justice.

The assembly gava voice to widespread public anger over an attack last month by military intelligence agents. Three senior generals were dismissed and charged this month with organising and then covering up the stabbing of a journalist who had blamed the military for authoritarianism in society. And the Government is increasingly signalling its intention to cease protecting Mr Chun.

Those who owe their power and position to past military governments are clearly dismayed at the changes democratisation is bringing. These men, centred in the army itself, the police and intelligence agencies, the local government offices and some of the ministries, are alarmed by the increase in freedom, which they see as a breakdown of order.

Those who owe their position to past military governments are dismayed at the changes democratisation brings

Their argument that growing egalitarianism, especially in tha younger generation, threatens development and stability is undermined by the continuing success of the economy.

Growth in gross national product reached 11.8 per cent in the first half of this year, and most observers expect a final result in double figures for the third successive year. The current account surplus reached \$7.2bn (£4.2bn) in the first seven months of 1988, compared with \$5.7bn for the same period last year. Exports rose by 29 per cent, with shipments to Japan np 55 per cent, sharply reducing the trade deficit.

The inflow of funds has created what one official described as a "surplus crisis," with a surge in inflation to an official 8 per cent, and an outburst of speculation in real estate. The appreciation in the currency, the won, along with strikes and wage rises have eaten into company profitability this year, hut not as mnch as expected. High investment in new tschnology to restructure product lines and automate factories marks a transitional stage to more value-added products.

President Roh, his mother (centre) and wife vote in April's parliamentary poll.

Perhaps the greatest achievement of tha past year is the introduction of trade unions and wage bargaining for the first time. South Korean companies have been run on extremely authoritarian lines in the past, with very long hours, police control of any disputes and low wages. After nationwide strikes last year, sometimes violent, this year's negotiations were far more harmonious (though the motor industry remains a black spot).

Companies have been halped in adjusting to a new style by the strongly pro-democratic views held by junior managers who favour an end to government control and the introduction of free market forces. Such views are widely heard in the financial sector where the Government is embroiled in a fierce dispute over financial liberalisation. That argument, centring on the independence of the central bank, the deregulation of the capital markets and ths restructuring of institutions, is likely to come to a head next month.

But while a reduction in government intervention has allowed remarkahle progress in the private sector and in politics, along with a certain amount in the press, the law and education, very littls has been achieved in security related areas. Few political prisoners have been released, laws aimed at repressing dissent have not been removed, police and intelligence and government officials – along with some company "goon squads" – are still abusing power.

Their rationale is the threat from alleged leftists in league with the Communist North. Ranged against them are the students, a few of them radicals, but most of thsm idealistic nationalists, who would like to reunify the country. This conflict makes progress to ease relations with North Korea extremely difficult.

However, Eastern and Western diplomats believe the North has become isolated by the reform programmes adopted by the Soviet Union and China, its major allies, and may be forced to show signs of movement soon.

It has already made proposals which could open the way to a peace treaty and non-aggression pact. Some observers suggest that after the World Youth festival in Pyongyang next year, the North's version of the Olympic Games, changes may be seen in North Korean society. And an announcement yesterday by President Roh makes a summit between the two leaders seem increasingly a possibility.

In the meantime, talks at parliamentary level are to resume after the Olympics. President Roh has announced plans to end propaganda against the North and has started negotiations with the US to reduce the visibility of its troops and bases and to transfer operational control to Seoul.

Both he and Kim Dae Jung are to visit Japan later in the year, which may signal a new approach to a difficult relationship characterised by resentment and distrust on hoth sides. Tokyo's attitude will be central to any successful moves towards reunification, not least because of its links with both North and South.

Achieving democracy, while maintaining stability and security and managing runaway economic success, would occupy most countries for years. Koreans, however, are known for their speed, and a tendency to brinkmanship. Compared with the myriad of difficulties facing them, staging the Olympic Games seems almost a minor matter. The first of South Korea'a immediate challenges, it may well turn out to be the easiest to meet. Those that carry the gravest risks still lie ahead.

LOMBARD

A short-term mistake about the D-Mark

By Samuel Brittan

Post mortems about the reasons for the excess growth of demand in Britain are taking too insular a form and concentrating too much on why the British economic forecasts were wrong. The only moral here is not to rely so much on the forecasts but to try to find out what is actually happening.

One frequently advanced explanation is that the contractionary effects of the stock market crash of October 1987 were exaggerated both worldwide and in the UK. Yet this was not really the main error, which was to underestimate the underlying growth rate at the time of the crash. Instead of the sluggish world upturn which was then thought to be taking place, it now seems that industrial output in the main industrial countries was rising by 7 or 8 per cent per annum in the closing months of last year.

If governments and central hankers had realised how huoyant the world economy was, they would still have been right to provide assurances that they stood by the financial system, as lendsrs of last resort, but wrong to cut interest rates. On the intelligence they then had, they were right to do both – a justified mistake, if you like.

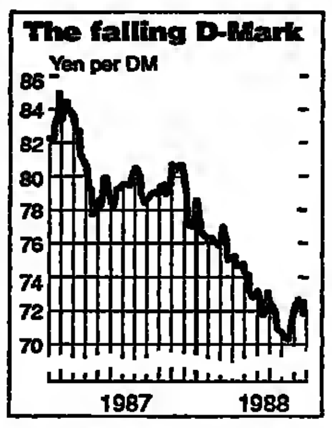
The specifically British errors were also intelligence failures. For instance the notoriously erratic industrial output index was taken as evidence of a cooling-off in the economy, which was not confirmed hy on-the-ground reports like the CBI survey. The six-monthly rate of growth of the Treasury's remaining monetary target M0 (mainly cash in circulation) showed a falsely reassuring dip.

But a more important mistake was made about an external phenomenon – namely the D-Mark. I still think it sensible to base UK exchange rate policy on the Mark, the currency of the most important member of the EC bloc, which accounts for most of British trade. The question is ; what is a sensihle range of sterling against the D-Mark, and how and when should that range be changed?.

On the assumption that the D-Mark was a strong currency, the former Lawson range of DM 2.80 to DM 3 to the pound made sense – leaving aside how it came to have such hard edges that when sterling went to the upside limit there appeared no downward risk for currency speculators.

What was not clear at the beginning of this year was that the D-Mark had itself embarked on a downward slide. The fall of the D-Mark against the IMF-Bank of England basket of some 5 or 6 per cent so far in 1988 understates what has occurred, as that basket contains many soft and minor currencies.

There have been two components of the D-Mark's movement. One has been the unexpected recovery of the dollar. There is a tendency to forget how weak the dollar was at the end of 1987 when it dipped well below DM 1.6. The weakness was such that the Group of Seven Finance Ministers issued a widely sneered-at communiqué, designed to prevent a further dollar plunge. The communiqué was followed by one of the more successful examples of concerted intervention. Few expected that the main currency problem of 1988 would be a strong recovery of the dollar to levels unjustified by fundamentals.



But the D-Mark's weakness has been more than the mirror-image of the dollar's recovery. The chart shows that the West German currency has been falling against the Japanese yen in both 1987 and 1988 and is now about 15 per cent below the high point at the beginning of last year.

During 1987 the D-Mark's strength against the dollar and the weakness against the yen offset each other. Indeed the D-Mark actually rose against the currency basket. But in 1988 the German currency's movements against the two other main currencies have been mutually reinforcing, and the D-Mark has depreciated against the major performers.

It is hard to see this overall fall as anything but a short term aberration. West Germany is not about to embark on an inflationary Rake's Progress. On the contrary, it has just been criticised by France for being too trigger-happy in tightening monetary policy.

Nor is the dollar likely to continue its upward trend indefinitely after the Presidential elections. A Bundesbank official who was asked about the dollar over drinks at a recent conference switched to speaking German when he realised that I was still in the room. But I did pick up that the talk was about the dangers of a plunging and not a rising dollar, and covered the continuing US budget and payments deficits, and the hope that Professor Martin Feldstein, who favours dollar depreciation, would not be too influential under a Bush Administration.

In the EMS as it is today, realignments are still necessary – still more for countries which are shadowing it as the British Chancellor was attempting to do. An upward realignment of sterling this spring, to say the DM 3 to DM 3.25 range, would have softened if not eliminated the clash between the internal need to raise interest rates and the external need to prevent a sterling overshoot.

But there was little hope of persuading markets that a breach of the old DM 3 sterling ceiling represented a rational adjustment of this kind when there was a highly publicised Cabinet-level row about whether to have an exchange rate policy at all. I am not urging miracles of foresight or that the Prime Minister and Chancellor should always agree: merely that the advantages of careful formulation and explanation of objectives far exceed the gains from furtiveness and secrecy.

LETTERS

Priority status in a flotation

From Mr W.E. Bell.

Sir, In the matter of the forthcoming privatisation of the flourishing British Steel Corporation: surely those who kept their shares from the previous denationalisation, and had them subsequently expropriated at a price depressed by that prospect, should enjoy a preferential application this time?

Yet the Department of Trade and Industry (DTI) informs me that this would be "most unlikely" because of "logistical difficulties", and because of "limits imposed by the Stock Exchange on the number of people who can be given priority status in a flotation . . .these limits are being met through offers to employees and pensioners of British Steel." But if to present and former employees, why not to shareholders?

British Gas is a model for plurality of share-application classes. When it was privatised in 1986, it was found possible to allot shares separately to employees, customers, the general public, and to *those who had registered by a preliminary date*. With British Steel, registration of a former shareholder's interest could be authenticated by his or her own documentation, checked if necessary with the opening register of the (steel) 6½ per cent Treasury Stock 1971 – which the Bank of England confirm is still accessible. This provision would implement Mrs Thatcher's policy of fair shares and the restoration of property.

W.E. Bell,
86 Woodgrange Avenue,
Finchley, N12

Into the breach

From Ms Helene Donnelly.

Sir, It is more difficult, in the wake of insider dealing scandals, the Financial Services Act (FSA) and The Securities and Investment Board, to know which firms or individuals are in breach of the law.

Perhaps, in the future, the FT could produce a casualty list of companies and individuals – like the Lloyd's List reports for the marine world?

Helene Donnelly,
Data & Archival Damage Control Centre,
2 All Saint's Street, N1

Privatising electricity

From Miss M.I. Yazdi.

Sir, Noting your correspondence from Mr Watts (September 8) and Mr Cooper (September 12), it is surprising that no one has seen fit to put the view of the industrial (and presumably commercial) consumer who, Max Wilkinson suggests (August 30), will cease to be covered by the existing statutory obligation to provide a continuous supply of electricity once this is transferred from the Central Electricity Generating Board to privatised local distribution companies.

Surely this should be very first for inclusion under the White Paper's "new system of guaranteed standards of service" which, if not met, will result in the consumer receiving "a pre-determined level of financial compensation".

It seems that, with the predicted 25 per cent increase in electricity prices in 1988-1990 (the first instalment of which has been delivered already), plus the suggestion, now, of less reliable supplies, much of what was predicted in Lord Marshall's advice is already being fulfilled.

M.I. Yazdi,
19 Deer Park Gardens,
Mitcham, Surrey.

From Mr Stanley Steward.

Sir, I well understand that Andrew Cooper, fresh from consorting with his international electrical friends, was reinforced in his view that it was unnecessary and unwise to privatise such a vital and successful public enterprise as the UK electricity supply (Letters, September 12).

I share his view, but we have to recognise that the Government has a mandate to privatise and the main concern must be to secure the maximum benefit from the operation.

This means competition. In electricity supply, this can only be achieved if the national transmission system is separate from generation. To leave the grid and its system control with the generating companies would establish a powerful private monopoly in place of an accountable public monopoly.

Management of the grid will remain in the hands of the same skilled specialists regardless of ownership, though the present proposal to transfer this to the distribution companies does present difficult problems. There is a case for leaving the grid as a public authority on the lines of the original Central Electricity Board, in which Mr Cooper played so distinguished a part.

Stanley Steward,
The Athenaeum,
Pall Mall, SW1

Aid should march with wealth

From Mr Tony German.

Sir, The House of Commons Foreign Affairs Committee's (FAC) fourth report did note, as you reported on September 1, that Government ministers have been continuously referring to the high quality of the British aid programme.

But as the FAC pointed out, these assertions are based on a press release accompanying the Office of Economic Co-operation and Development development assistance committee 1986 Aid Review of the UK, which also expressed concern about the "expanding resort to the use of aid budget funds for export related financing."

Of all OECD countries, only Italy and Austria tie a higher proportion of their aid. Echoing the development assistance committee's concern that aid funds were being diverted from poverty-oriented projects, the FAC urged the Government to consider whether adequate priority was given to the poorest people in the poorest countries.

Britain does have a good record on some indicators of aid quality. The promise made by Mr Chris Patten, the UK minister for Overseas Development, of £7m for Bangladesh, is a welcome allocation to an area where need is very great.

If the Government can follow this up, during the forthcoming public expenditure discussions, by increasing the aid budget in line with the increase in the nation's wealth (as recommended by the Foreign Affairs Committee), and target these additional resources on the poorest people, it would be a significant step in the right direction.

Tony German,
Public Policy Unit,
Hamlyn House, Archway, N1

US flotations in London

From Mr L.R. Innes.

Sir, Philip Coggan's article (September 5) on US companies coming to London for a quotation certainly gave a fair appraisal of the situation as generally perceived.

He instanced Chemical Methods. This seems unfortunate, as the directors, recognising their responsibilities, offered to buy the shares back at the issue price a few months after the offer for sale. Perhaps there should be a buy-back guarantee included in all future American offerings.

L.R. Innes,
1 Oakcroft Court,
Liskeard Gardens, SE3

Dial again

From Mr D.S. Gruenberg.

Sir, There must have been a bad connection if Sir Eric Sharp of Cable and Wireless (September 9) believed that Guglielmo Marconi chose him as medium to relay endorsement of Sir Derek Alun-Jones, chairman of Ferranti, in his plea for freedom to exploit new ideas (Letters, September 5).

While I am sure the great man would argue – as Sir Derek and Sir Eric have done – for the right to offer the services which spring from intellectual endeavour, he surely would not have mandated the chairman of Cable and Wireless to be his medium. Cable and Wireless was formed at the instigation of the British and Dominion governments to "protect" the Empire's cable interests from Marconi's new ideas.

D.S. Gruenberg,
4 Leinster Mews, W2

Ça ira

From Mr E. Mazzon.

Sir, Economists present weird and wonderful ways to tackle congestion in central London; none of them workable or practicable.

I observed in Singapore that vehicle drivers are required to purchase and display local tax discs for permitted access to selected areas in the city.

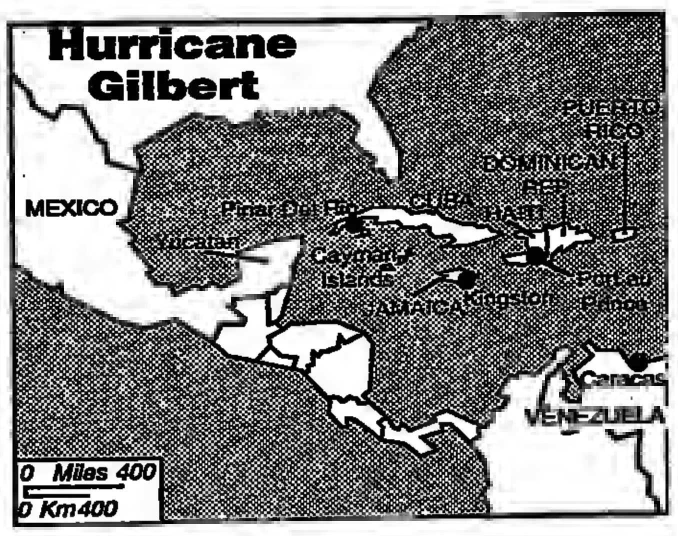
Discs could be sold through local retailers in Central London, and enforced through the traffic warden system.

E. Mazzon
179 Greyhound Road, W6

FINANCIAL TIMES
Thursday September 15 1988

US braces as Gilbert heads north

Our Foreign Staff trace the hurricane's trail of destruction



THE FULL force of Hurricane Gilbert roared through Mexico's Yucatan peninsula yesterday leaving behind a trail of chaos across the Caribbean. Its intensity undiminished, Gilbert now seems to be heading north towards the US.

Information on the extent of the damage was still limited yesterday as radio and telephone systems throughout the region were still out of action, and casualties were uncertain.

Seven people were confirmed dead in the Dominican Republic and Venezuela, and one report said 30 people were killed in Jamaica.

The costs of reconstruction are incalculable. Mr Edward Seaga, Jamaica's Prime Minister, called it the worst disaster in the country's history. Insurance companies are already braced for heavy claims, which could skyrocket if the US mainland is hit.

Gilbert, the most powerful hurricane on record in the Western Hemisphere, moved north-west from Venezuela, sweeping through the Dominican Republic, Haiti, Jamaica, southern and western Cuba, before hitting Yucatan.

The hurricane reached sustained winds of 257km per hour resulting in its upgrading to a powerful Category 5 storm – the highest grade of hurricane intensity.

Only two Category 5 hurricanes have hit the US in the past 100 years. Camille killed 256 people and caused $1.4bn in damage when it slammed into Mississippi and Louisiana in 1969. An unnamed hurricane struck the Florida Keys in 1935, claiming 408 lives.

Gilbert hit the Yucatan Peninsula in south-east Mexico at 4am local time yesterday. According to local officials in the state of Quintana Roo, the hurricane was "the worst in our history."

The major international resorts of Cancun and the island of Cozumel were completely cut off, officials said, while portions of major roads in the peninsula had been destroyed.

In the state of Yucatan large areas have been evacuated and an airlift of medical and food supplies was being organised by the Federal Government and the army.

The hurricane appeared to be moving in a west-northwesterly direction across the outer reaches of the Gulf of Mexico, heading towards north-east Mexico and south-east Texas. There were fears, however, that it might shift direction into the Gulf of Campeche. The Campeche Sound is Mexico's richest offshore oilfield.

Jamaica, which was hit by Gilbert on Tuesday, appeared to be the worst affected of the Caribbean islands. Roofs were ripped off hundreds of houses, airports were shut while flood waters filled hospitals.

Officials said at least 10 people died. Radio Cayman reported 30 people were dead in Jamaica, a figure that could not be independently verified. An estimated 500,000 were left in temporary shelter, nearly a quarter of the population.

Government officials said they had not yet revised the estimated $200m worth of damage done by the hurricane, but the island will lose substantial amounts of foreign earnings. "It will take us some time before we can assess the full damage without any doubt," Prime Minister Edward Seaga said in a statement late Tuesday.

"But I have no doubt that this going to be the worst disaster that we have experienced in our modern history."

The authorities have placed Kingston, the capital, and neighbouring Spanish Town under a dusk-to-dawn curfew to control a wave of looting which officials say has depleted food supplies needed for victims of a hurricane which hit the island earlier this week. Representatives of relief agencies said yesterday that food supplies for about a quarter million people made homeless by hurricane Gilbert were "dangerous low." The only means of communication with the island is through radio hams on Jamaica who are talking with operators in Florida. The storms severed power lines and communications.

More than a thousand British holidaymakers were stranded in Jamaica, but a Foreign Office spokesman said there were no reports of any British casualties.

Mr Chris Patten, UK Overseas Aid Minister, said relief supplies, including tents and blankets, were being provided locally in Jamaica through the British High Commission. Once an assessment of further needs had been received from Jamaica, Britain would provide additional help.

The Cayman Islands, by contrast, seemed to have escaped remarkably lightly. "There are lots of overturned trees, but there appears to be no major damage – in terms of a hurricane that size, we appear to have been very lucky" said Ms Charlotte Latham, a spokeswoman for the Caymans.

The storm caused limited damage as it skimmed Cuba's southern coasts on Tuesday. Thousands of people evacuated from the Eastern provinces started returning but about 60,000 more were evacuated from low-lying areas as an emergency was declared in the westernmost province of Pinar del Rio and on the Isle of Youth off the province's southern coast, the national news agency AIN said.

Cuban tobacco, the country's main export to the UK, appears to have been spared. An official from Joseph Samuels, a cigar importer, explained that the cigar tobacco crop is planted only in late September for harvest next March.

Quality cigar tobacco, at any rate, is aged for a long period before release to Havana's cigar factories.

In the US, hatches were already being battened down. Mr Ray Biedinger, a forecaster from the National Hurricane Centre in Miami, said Gilbert could hit the Texas coast as early as Friday if it maintains its present course.

"This is an extremely dangerous hurricane and the entire US Gulf coast better beware of it," he said.

US crude oil and gasoline prices have risen, pushed up by fears that the storm may curtail production and refining along the US Gulf Coast.

For the second time in less than a week, US oil companies were evacuating thousands of workers from rigs off Texas and Louisiana in the face of the approaching storm. Hurricane Florence sent rig workers fleeing to shore on September 9 before it fizzled out on the Louisiana coast.

Reinsurers worldwide are anxiously watching Gilbert's progress. If it hits Texas and Louisiana as anticipated, then overall losses will be huge. Estimates start at $2bn apparently with no upper limit.

Insurance stocks fell in New York yesterday. Underwriters are recalling the cost of Hurricane Alicia in 1983, a gentler animal. The official estimate of the damage, as assessed by the Insurance Information Institute was $675m. However, claims by insurers on their reinsurers are still being settled and analysts put the cost of this hurricane at $1.2bn.

The impact on the insurance companies and other direct insurers operating in this part of the US will not be too severe. They all carry high levels of catastrophe cover with reinsurers. It is the reinsurers, throughout the world, that will have to meet the bulk of the costs should the worst happen.

American cash keeps the wolf from the UN door

By Our United Nations Correspondent in New York and **Nancy Dunne** in Washington

PRESIDENT Ronald Reagan's surprise decision to release immediately $44m in outstanding dues to the United Nations and recommend a further $144m payment for the fiscal year beginning on October 1 will relieve somewhat but not solve the world body's acute financial crisis.

The total US debt to the organisation amounts to about $467m for the regular budget (which totals $875.9m this year) plus $70m for UN peacekeeping operations. The White House said on Tuesday that Mr Reagan has directed the State Department to prepare a plan to settle up, but only over a period of three to five years. It appears that arrears on peacekeeping will be funded by channelling money from the US defence budget.

Thus, although the immediate threat that the UN will have to shut its doors has receded, Mr Javier Perez de Cuellar, the Secretary-General, has been quick to point out that the organisation will continue to struggle for the foreseeable future "with inadequate current income and virtually without reserves." This at a time when it is having to take on ever-increasing commitments in peace-making and peace-keeping, from Afghanistan to the Gulf and eventually in Namibia and the Western Sahara. Mr Perez de Cuellar said that if the UN is to support such operations in the future, reserves will have to be replenished by such means as voluntary contributions and interest-free loans.

The timing is particularly important. The UN Committee on Programme and Coordination, which is to implement reforms, is meeting this week in New York and the Administration presumably felt it vital to give an American demonstration of good faith at this time. The President met Mr Perez de Cuellar several weeks ago and indicated that the US was likely to begin paying its bills soon. The decision was apparently announced now to assure the President of a warm reception when he addresses the UN General Assembly in a fortnight's time.

The decision should help to end a long and sour chapter in the UN's relationship with its host country. There have always been critics of the UN in Congress, but administrations in the past have always insisted that the US fulfil its obligations. Tha Reagan Administration, however, did not complain when Congress began to cut funding.

Why have attitudes changed so much? The first answer is that the UN has been making genuine administrative reforms. In order to release funds, the President was required by law to certify that the UN had made progress in reforming its budget and personnel policies.

The US has been spurred to pay up by the Soviet Union's moves to pay its arrears and heavy pressure from its European allies, especially Britain, to fall in line.

But the most important factor is probably the recent run of UN-brokered diplomatic successes, beginning with the Afghanistan accord last April.

Still, the burden of peacekeeping will continue to rise. The UN's military observer mission to monitor the Gulf ceasefire is costing an estimated $74m for six months.

Down the road, if progress towards a settlement continues, lies the task of running an administration in Namibia in its transition to independence from South Africa, at an estimated cost of $700m a year.

Another costly peacekeeping role ahead involves Western Sahara. At a conservative estimate the UN's peacekeeping budget will exceed $1bn by the end of 1989, compared with a current $200m.

THE LEX COLUMN

Getting the hang of the trade figures

The market reaction to yesterday's US trade figures, at first sight disappointingly neutral, could turn out to be a welcome sign of maturity. The August deficit of $9.5bn was both lower than forecast and some $2bn below the average for the year to date; but equities and bonds on both sides of the Atlantic were almost unmoved, and the dollar rose only modestly. At best, this could mean that the markets accept that the tide has turned, while being resigned to the idea that the process will be a slow one. It cannot be expected that the US trade figures will lose their malign power in the way the budget deficit has, but with luck the markets will become more tolerant of monthly deviations from the trend.

For London, the effect yesterday was to emphasise the curious dissociation from the global context seen in the last week. The equity market has dissolved into a muddle of special situations, mostly the result of corporate activity rather than investor interest. At one point yesterday, Enterprise Oil was 54 per cent higher than the previous morning, British Aerospace 9 per cent lower; at their respective best and worst, RHM was 9 per cent up on the day and Pearson 5 per cent down.

These wild swings, though, do little to address the market's central problem of lack of business. London, after all, is not wholly wrong to concentrate on domestic issues, given how tricky these issues are at present. Tomorrow's inflation figures will be awaited with trepidation, and the UK trade figures later this month may not be as stoically received as the US ones have been.

Lasmo/Enterprise

Lasmo's decision to sell its most valuable asset may do little to preserve its independence, but it is none the less sensible for that. By auctioning the Enterprise stake, Lasmo is pushing its fellow independent in front of it towards the block, thereby extracting for its shareholders the best possible price for the holding. The move will deter anyone who regarded Lasmo as a cheap way into Enterprise, while any bidder who would like Lasmo for itself – and there are presumably plenty of those – will have to pay up for good international assets and cash in the bank.

Meanwhile, Enterprise is better equipped than most to survive this unneighbourly act. With ICI and Norwich Union staunch holders of about a third of its shares, and with a list of adoring shareholders well aware of the company's excellent record, any buyer of Lasmo's stake will still have a long way to go to get control. The 50 per cent rise in Enterprise's shares in the past two days shows the market is confident that someone can be found with deep enough pockets to have a try, although yesterday's 642p seems to be getting dangerously close to the 750p or so that might be demanded for control.

Those numbers may be too high for British Gas, whose position is even worse that it seemed on Tuesday. Presumably its raid was meant to pre-empt Lasmo's announcement; to achieve the same outcome – control of one independent, and a strong position in another - will now cost a good deal more.

Standard Chartered

There must be a sense of frustration in certain parts of Britain's industrial hinterland at the City's over-enthusiastic reception of Standard Chartered's £303m rights issue. Here is a company in desperate need of new capital – having lost almost half its shareholders funds last year through a mixture of mismanagement and bad luck – and its shares jump by 5 per cent on tha announcement of a 1 for 2 rights issue. At least, when it comes to raising equity capital for banks in trouble, the City's doors never seem to close.

Admittedly, this has been one of the best flagged rights issues for a very long time. And the fact that Standard chose not to be over-greedy – by bankers' standards, that is – and has promised an 11 per cent plus yield on the new money has helped soften any concerns about the group's long-term future. Its capital ratios will now be comfortable, if not strong, and everyone has high hopes of the new management team. However, Standard has failed to use the occasion to sort out its unstable shareholder structure, and it will probably come to regret this. The fact that it is Mr Alan Bond's Bell Group, rather than Sir Y.K.Pao's family, which has agreed to underwrite the issue must make the management more nervous about the former's long-term intentions.

P & O

P & O did not have a rights issue yesterday, and shows no intention of issuing any paper at these levels to take over Taylor Woodrow – the current object of its affections – so a 2p fall in the shares, on the back of an impressive set of interim figures, seems churlish. Although the ferry strike has cost £25m, full year pre-tax profits should still rise by over 15 per cent, and the combination of loss elimination next year, and cost savings on the ferries of over £10m per annum, should mean that the group will grow by at least a similar amount in 1989.

With the recent Sitmar acquisition, P & O's passenger operations should be generating upwards of £100m a year in three or four years time, and the group should be able to continue growing considerably faster than the market for several years to come. However, until P & O clears up tha uncertainties about its current intentions towards Taylor Woodrow its shares may well continue to sell at less than 10 times earnings.

US to urge Bonn action on exports

By David Marsh in Bonn

THE US GOVERNMENT will next month formally ask West Germany to tighten enforcement of rules designed to prevent transfer of technology with a military application to the Soviet bloc.

The visit to Bonn by a high-level delegation led by Mr Allan Wendt, the State Department official responsible for strategic technology policy, forms part of a journey to several European capitals by American officials connected with the Paris-based Co-ordinating Committee on Multilateral Export Controls (CoCom).

The trip has been planned for some time in connection with a meeting in Paris of CoCom's executive committee. Chancellor Helmut Kohl of West Germany is due to visit Moscow late next month for talks with Mr Mikhail Gorbachev, the Soviet leader, during which economic and technological links between the Soviet Union and the Federal Republic will be high on the agenda.

Mr Kohl in July voiced unusual public criticism of CoCom's technology transfer restrictions, saying he would press Washington for changes.

● West Germany yesterday announced agreement to pay East Germany nearly DM10bn ($5.4bn) over 10 years from 1990 onwards to improve transport between the two German states. Bonn will pay a yearly DM 860m to cover basic road costs, up from DM 525m under an accord which ends in 1989.

Asian economies face slower growth during next decade

By Chris Sherwell in Sydney

THE Asia-Pacific region's most dynamic economies face slower growth over the next decade and strong competition for investment from Western Europe and perhaps the Soviet Union, according to an international study released yesterday.

The study, which focuses on 12 countries, also foresees the emergence of trade within the region as the main driving force for growth, surpassing exports to North America and approaching double the level of exports to Europe.

The study, entitled The Asia-Pacific Region: Economic and Business Prospects, was conducted by SRI International, a US consultancy, for KPMG, the world's largest accounting firm, which is holding its annual meeting in Sydney.

Although it offers a mild antidote to the euphoria of recent years about the Pacific era, the study points to important trends which foreshadow the emergence of a truly regional Asia-Pacific economy in the 1990s.

It agrees with forecasts that the Asia-Pacific area will be the most vibrant, rapidly growing region of the world in the next decade. It predicts an annual growth rate about 2 percentage points higher than the world as a whole, with an even quicker expansion of trade.

But it argues that this growth will be weaker than in the past 10-15 years, that expansion based on exports outside the region will be increasingly difficult to achieve, and that the shift of industrial countries towards services will limit benefits for the region's commodity producers.

It also warns that the region will have to vie with other areas of the world for investors' attention. The study specifically cites Western Europe, because of the planned single European market after 1992, and the whole of the Soviet bloc if the new direction established by Moscow takes root.

Foreseeing the continued overwhelming dominance of Japan in the region, the study says the way it deals with its strong currency, capital surpluses and domestic restructuring will have a big impact on every country in the Asia-Pacific region.

The study identifies key trends among Japanese businesses, including their growing reliance on offshore sourcing of components from lower cost producers, an increasing tendency to sub-contract production elsewhere, and a clearer preparedness to invest in joint ventures, including many aimed at Japan.

"The natural complementarity of the Asia-Pacific economies, combined with protectionism in North America and Western Europe, are likely to lead to a much higher level of trade within the region in the future," the study says.

Pearson agrees link with Elsevier

Continued from Page 1

in Holland.

The catalyst for the alliance with Elsevier was apparently an approach from a bank to Mr Vinken asking if he would like to buy Mr Murdoch's 20 per cent Pearson stake.

Mr Maxwell said that as a shareholder in both companies the deal mystified him. "It is obviously good for Elsevier but I do not see where the benefit is for Pearson."

Mr Maxwell made it clear he intends to hold on to his Elsevier stake and was more likely to be a buyer than a seller of Elsevier shares.

Publishing analysts seemed sceptical about the logic of the deal. Mr Derek Terrington, publishing analyst at stockbrokers Phillips & Drew, said: "The points of synergy are not many. I can't see any overwhelming argument for this apart from looking after each other's backs."

But Lord Blakenham and Mr Vinken said there were enormous similarities between the two companies in global ambition and business culture.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	21	70	Dubrovnik	S	24	75	Malta	F	28	82	Rhodes	S	25	77
Algiers	F	30	32	Edinburgh	F	13	32	Manchester	C	13	55	Rio de J'o	F	40	104
Amsterdam	R	16	61	Faro	S	24	79	Manila	F	32	90	Rome	F	26	79
Athens	F	31	88	Florence	C	22	72	Melbourne	S	17	63	Salzburg	C	11	52
Bahrain	C	37	90	Frankfurt	R	17	63	Mexico City	F	25	78	San Francisco	C	20	68
Bangkok	R	33	91	Funchal	C	22	72	Miami	C	20	68	Seoul	C	26	79
Barcelona	-	–	–	Geneva	C	16	61	Milan	S	19	66	Singapore	C	32	90
Beirut	-	–	–	Gibraltar	F	24	75	Montreal	F	27	71	Stockholm	C	16	61
Belfast	C	12	54	Glasgow	F	13	55	Moscow	C	17	63	Strasbourg	R	12	54
Belgrade	C	19	66	Guernsey	C	14	57	Munich	R	11	52	Sydney	C	17	63
Berlin	C	13	55	Helsinki	C	12	54	Nairobi	C	22	72	Taipei	F	32	90
Biarritz	F	19	81	H. Kong	C	31	88	Naples	F	21	70	Tangier	C	22	72
Bombay	F	31	88	Innsbruck	C	11	52	Nassau	C	31	87	Tel Aviv	S	29	84
Bordeaux	C	18	64	Inverness	C	11	52	New Delhi	F	37	99	Tenerife	S	27	81
Brussels	R	15	32	Islamabad	F	37	99	New York	F	26	79	Tokyo	C	27	81
Budapest	C	15	59	Istanbul	F	27	81	Nice	F	22	73	Toronto	F	20	68
B. Aires	F	24	75	Jakarta	R	33	91	Nicosia	F	32	90	Tunis	S	36	97
Cairo	F	32	90	Jersey	C	14	57	Oporto	S	23	73	Valencia	S	23	73
Cape Town	F	19	66	Jo'burg	C	22	72	Oslo	F	13	56	Venice	F	19	90
Caracas	R	24	75	Lima	C	16	66	Paris	C	16	61	Vienna	C	15	32
Casablanca	F	25	77	Lisbon	F	27	81	Peking	C	20	68	Warsaw	C	14	57
Chicago	F	12	54	London	C	15	59	Prague	F	15	59	Washington	S	17	63
Cologne	C	14	57	Los Angeles	F	25	73	Reykjavik	D	13	55	Zurich	F	13	55
Copenhagen	F	14	57	Luxembourg	C	13	56								
Corfu	F	24	75	Madrid	S	20	68								
Dallas	F	22	72	Majorca	R	16	61								
Dublin	C	12	54	Malaga	S	31	88								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Moscow banks on London know-how

Continued from Page 1

when they fall due. The delegation has been taken to branches in London's East End to see how they work.

● How to develop retail banking. With cheques and credit cards available only to the lucky few, personal banking services are highly primitive. The Soviets want to set up a clearing system, but the question is whether they should use paper or leapfrog the West and go straight into the electronic age.

● How to develop the central bank functions of monetary control and banking supervision. The Soviets do not want financial reform to produce explosions in credit or inflation. But they do want their new banks to operate on commercial principles, so prudential controls will be needed to protect depositors from reckless bankers.

"The Russian banking system is going through a quite remarkable sea change", said Mr David Thomson, director general of the BIEC. Mr Robert Chase, the former British commercial counsellor in Moscow, said: "Financial reforms are crucial to the whole success of perestroika."

At Barclays, where the Russians had Barclaycard and credit scoring explained to them, Mr David Dicker, the senior international executive, said: "They were quite shocked when we told them we charged interest of 2 per cent a month. That's as much as they charge in a year." But Mr Dicker said Barclays was willing to bring Soviets to London and train them as managers.

ACCOUNTANCY COLUMN

Consultants' culture could lead to divorce

By Richard Waters

THE dominant position accountancy firms have built for themselves in the management consultancy market is one of the success stories of the financial services world.

An event in the US earlier this year, though, suggests it is not all plain sailing: Arthur Andersen sacked its head of consultancy, apparently for attempting to take his business out of the Andersen camp.

Lunchtime talk in the profession is now all about whether the multi-disciplinary firms built around accountancy practices will soon break up.

Breakdown of consultancy income		
Firm	1987 consultancy fee income (£m)	% of firm's total income
Coopers & Lybrand	47.0	27
Arthur Andersen	43.1	38
Price Waterhouse	41.9	24
Peat Marwick McLintock	34.1	13
Touche Ross	27.9	24
Deloitte Haskins & Sells	27.8	18
Ernst & Whinney §	21.8	18
Arthur Young	13.0	12
Spicer & Oppenheim	12.9	19

The reason frequently advanced for the imminent bust-up is that consultancy is more profitable than auditing. Why would consultants want to stay yoked in such a combination?

Margins are certainly higher in consultancy. But profitability has always varied across the range of an accountancy firm's business — such as tax, insolvency, corporate finance and investigations. Consultancy is no different. The trick, and one in which accountancy firms are skilled, is to spread earnings in a way which keeps everyone happy, says Mr David Miller, head of Coopers & Lybrand's consultancy firm in the UK.

Also, the profits from consultancy may not persist. Mr Andrew Warren, top UK consultant at Deloitte Haskins & Sells, says his business's earnings are cyclical, unlike the less exciting but more stable income of auditors. By being part of the group he is shielded from the worst of the downturn in the consultancy market which most agree will come sooner or later.

A more likely reason for consultants to break away is to allow themselves to build capital rather than enhance their earnings.

Gartner Group, a US information technology consultancy formed just nine years ago, earlier this year sold itself to Saatchi & Saatchi for $90m. Figures like that tend to encourage entrepreneurial consultants to want to set up on their own, particularly since their business has relatively low entry costs.

Mr Tim Bishop, in charge of consultancy at Spicer & Oppenheim, says that capital value might be realised in other ways. "At the point in the product cycle where a particular part of the consultancy business reaches its peak, perhaps it should be sold on. There is nothing sacred about any of our lines of business. Accountants may be buyers as well as sellers."

A second frequent reason given for the impending divorce is the cultural differences between accountants and consultants. This is simplistic. Consultancy firms embrace a wide range of disciplines, some of them closer to accountancy than others.

The consultancy activity frequently said to be furthest from the accountancy culture is systems work of the type undertaken by software houses. It involves using teams of programmers to tackle large assignments. According to those who do not employ these teams, they are made up of automata who share none of the professional aspirations of their accountant colleagues.

In reality, the range of cultures in a consulting operation is as mixed as the range within mainstream accounting. The difference is that consultants are less likely to be committed to the organisation as a whole: many are brought in at senior levels relatively late in their careers, and Arthur Andersen is still virtually alone in training consultants from graduate level.

The reasons for bust-ups, should they come, are likely to be twofold: personalities and power. People running large businesses-within-businesses like to control their own destinies.

Arthur Andersen appears to have suffered this problem. The two most common adjectives used by former colleagues to describe Mr Gresham Brebach, the sacked head of consultancy, are "pushy" and "ambitious". Andersen's senior management wanted to move at a more measured pace.

A battle of wills also appears to have raged three years ago in Coopers & Lybrand in the UK, which has built the largest and most diversified consultancy arm of any accountancy firm. Mr Ian Hancock, its top consultant, disagreed with Mr Brandon Gough, its top accountant (and chairman of the overall firm). The upshot: Mr Hancock moved to the US, where he could "further his ambitions more easily."

What will happen when the top consultant carries more weight than the top accountant? That day may already be here. Arthur Andersen's UK firm last year became the first to earn more fees from consultancy than auditing. Others

Accountants and management consultants are experimenting with new structures

are likely to follow suit if their consulting arms continue to grow at their current rate.

Power is unmistakably shifting. Mr Vernon Ellis, Andersen's head of UK consulting, talks about the skill with which his boss, accountant Mr Don Hanson, is managing the transition. But he does not question that the transition is taking place.

Other forces could also cause divisions, such as potential conflicts over work. A consultancy job for an audit client is rife with potential conflicts. What happens if a consultant reports in a way that will cause distinct discomfort to a fellow auditor? Would the auditor pnt pressure on him to water down his conclusions?

According to Mr Miller at Coopers it has not happened yet, but would sow the seeds of a divorce if and when it did.

Against all this, there is an equally telling question: what positive forces are there holding accountancy and consultancy firms together?

One force binding professional firms together is the amount of work referred between the different businesses. This varies greatly between firms, from less than 20 per cent at Andersen to more than 70 per cent at Ernst & Whinney. In most cases it is shrinking — consultants rely less and less on auditors for business.

With all these questions to face, it is not surprising that accountants and management consultants are thinking about and experimenting with new management structures.

A year ago, Arthur Andersen had a rethink. Consultancy was now a large slice of its business, and so should be recognised in its own right in the management structure of the firm.

Rather than reporting to the top person (an accountant) in each local office, consultants in the US were given a separate reporting line which took them straight through to a new US head of consultancy. It may not have been the right move: the newly created head of consulting was sacked just nine months later.

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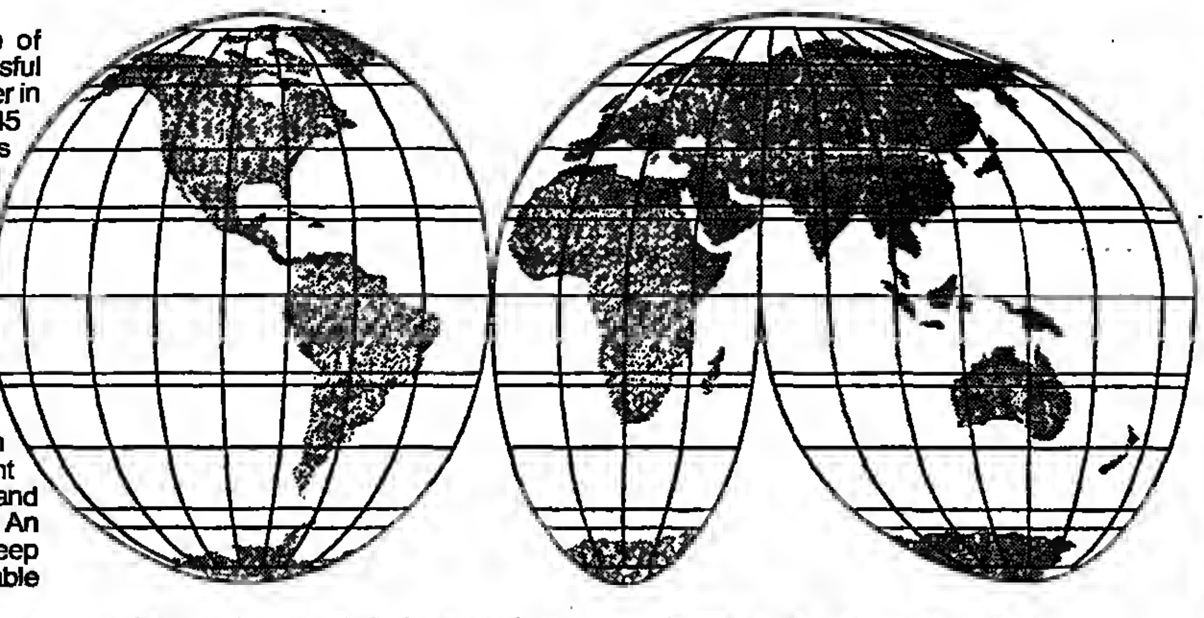

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We are seeking to appoint a new tax manager to assist in the consolidation of BP and Britoil in Glasgow. The job involves work which is technically complex and intellectually demanding.

We would like to hear from you if you are a graduate qualified accountant having passed your accounting examinations at the first attempt and having at least 5 years' PRT and CT (IRF) experience gained in the profession or oil industry. Management experience will be an advantage.

Career prospects in the Group Tax Department and within the BP Group as a whole are excellent and may include the opportunity to move to London and/or 2/3 year assignments overseas.

Salary is negotiable up to £35,000 a year plus company car. Other benefits include non-contributory pension scheme, subsidised luncheon club, interest free season ticket loan and a wide range of social/sporting facilities.

If you meet the above requirements and wish to progress your career please write or telephone for an application form to:-

Peter Craig, Senior Personnel Officer, Britoil plc, 301 St. Vincent Street, Glasgow G2 5DD. Telephone 041-225 5187

or

David Lear, British Petroleum Plc, Britannic House, Moor Lane, London EC2Y 9BU. Telephone 01-920 6957.

Specialist Accounting Manager

£26,000 plus substantial benefits — London

Lloyds Bank operates throughout Britain and in 40 other countries. We offer excellent prospects to well-qualified accountants who wish to develop a career in the fast-changing financial services and banking sector. As a result of promotion and continued expansion, we wish to strengthen the group finance function by the recruitment of a high-calibre chartered accountant.

The successful candidate will be involved within the Corporate Reporting area in providing an expert advisory service to senior management. Research will cover the changing aspects of company law and accounting practice at an international level. Impact of changes on group companies will be analysed and reported through discussion papers.

Applicants must be qualified accountants in their late 20's with a good honours degree and exam record, substantial technical accounting experience, preferably gained with one of the larger professional firms, and the ability and confidence to work independently with people at all levels in the Bank.

In addition to a first-class salary package, based on experience, the post offers a pension, profit-sharing, subsidised mortgage and loan facilities, BUPA and other benefits.

Please write enclosing career details to:
Robert E. Langford, MA FCA, Senior Manager (Corporate Reporting), Group Accounts Department, Finance Division, Lloyds Bank Plc, 71 Lombard Street, London EC3P 3BS, or telephone 01-356 1516.

Lloyds Bank

THE THOROUGHBRED BANK.

SENIOR MANAGER OPERATIONS
CITY — **c£40,000 + Car + Bank Benefits**
International capital markets operation, specialising in bond trading seeks a qualified accountant, (aged 30-40), with relevant experience to manage the accounting and support functions, supervise twenty staff and co-ordinate the development of new systems. SMA1275

CHIEF ACCOUNTANT
CITY — **to £33,000 + Car + Mortgage Subsidy**
A well-established reinsurance company requires a qualified accountant, (aged 28-35), to assume full responsibility for the accounting function including budgeting, investment monitoring, systems development and liaison at an executive level. HKM1270

FINANCIAL CONTROLLER
CITY — **£30,000 + Car + Bank Benefits**
Excellent opportunity for experienced ACA, (aged 30-35), to assume responsibility for the development and control of the accounting function of a leading American banking organisation. Flexibility coupled with good interpersonal skills are essential. SML7050

MANAGEMENT ACCOUNTANT
WC1 — **to £30,000 package**
Famous international engineering company seeks qualified accountant, (aged 25-32), to perform a key group accounting function, with responsibility for financial and management accounting, enhancement of micro computer systems and staff management and development. SEW6802

FINANCIAL DIRECTOR DESIGNATE
SOUTH ESSEX — **to £28,000 + Car**
Resourceful qualified accountant, (aged 27-32), sought by rapidly expanding construction company. Applicants must have experience of overall financial and general management and exposure to related industries. Realistic board prospects within short term. DCS6243

To be considered for these or other opportunities please write to or telephone:

Management Personnel
25 City Road
LONDON EC1Y 1AA
Telephone 01-256 5041 (24 hours)

Management Personnel
2 Swallow Place
LONDON W1R 7AA
Telephone 01-408 1694 (24 hours)

Management Personnel
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Computer Audit Manager

Hong Kong

Price Waterhouse is one of the largest firms of Certified Public Accountants in Hong Kong. Our client base ranges from locally listed companies and multinational corporations to small independent businesses.

An exceptional career opportunity exists for a professional to join our Computer Audit department. Supervising a small team of computer audit professionals, you will evaluate the test EDP related controls of computer based systems and develop audit software.Based in Hong Kong, you will also assume regional responsibility, supporting the EDP audit functions of our firms in South East Asia.

Educated to degree level, you'll have gained two years managerial experience in the computer audit department of a professional audit practice, the internal audit department of a multinational group or in the public sector. Experience of working with IBM mainframes is essential and EDP audit experience gained in a banking environment is particularly advantageous. Strong interpersonal skills and a willingness to travel are prerequisites.

The importance of your contribution will be reflected in an excellent remuneration package, and the opportunity to continue your professional development with a career built on achievement and merit.

An executive from our Hong Kong office will be in London next week to carry out interviews. If you are interested in this position, please telephone John Thompson on 01-334 2434 or fax a cv to him on 01-378 0647.

Price Waterhouse

Oil and Gas Accountants

Join Coopers & Lybrand, one of the UK's leading firms of Management Consultants and Accountants, and you'll work directly with many of the largest oil and gas corporations across the spectrum of financial management, business appraisal and accounting.

Our Oil and Gas practice is involved in both upstream and downstream activities.

We seek Qualified Accountants aged 26–32 with two to five years' experience in oil and gas industry finance and accounting.

As one of our Consultants or Senior Consultants, you will have the opportunity to progress rapidly and enjoy an excellent salary and benefits.

To apply, please telephone Chris Timbrell, Coopers & Lybrand Associates Limited, on 01-822 4757. If he is not available, please call Octavio Jennings on 01-822 4862.

C&L

Coopers & Lybrand

GROUP TAX MANAGER

West End from £40,000 plus car

Our client is a major public Group of companies in the Engineering, Manufacturing and Construction fields operating from a number of centres both here and abroad, with worldwide contracts. The group is controlled from a small head office in the West End.

The Group Tax Manager will report to the Finance Director and will play a key role in optimising the group's profit performance through effective Tax planning and the provision of advice to corporate and subsidiary management on the Tax implications of all business decisions. The Manager has a Tax Assistant in the UK and functional responsibility for Tax Personnel in overseas subsidiaries.

Candidates, ideally graduate Chartered Accountants with a Tax specialisation, should have extensive experience of handling the complex tax affairs of a major public group with international operations. They should have commercial acumen and the determination to ensure that the Tax function plays a positive role in group operations. The position offers a salary negotiable from £40,000 per annum plus car and a wide range of company benefits.

Please write in confidence with full career and salary details, quoting reference D3824/L, to John Hills.

KPMG Peat Marwick McLintock
Executive Selection and Search
70 Fleet Street, London EC4Y 1EU. Tel: 01-236 8000. Fax: 01-583 3534

Controller – Financial Systems

London based

Mercury Communications

c. £40,000 + excellent benefits

Mercury Communications Ltd. has rapidly established an impressive position within the UK telecommunications market. With a leading edge in technology underlined by a highly innovative approach, the company is continuing its exceptional growth. Financial management control is recognised as crucial, and major systems development initiatives are planned to support further expansion of the business.

As Controller – Financial Systems you will report directly to the Director, Finance. You will be responsible for the development and implementation of major accounting systems, working at both strategic and operational levels. This is a challenging role demanding a proactive approach and strong project management skills.

You will be a qualified accountant, in your thirties or early *forties, with substantial experience of managing major accounting* systems projects within a large organisation. A background in consultancy may be applicable. Computer literacy and good commercial awareness are essential. You must have the drive and *flair to make a significant impact* within a dynamic environment.

The excellent remuneration package includes a quality company car and the chance to participate in attractive share option arrangements. Sufficient flexibility exists to reward the exceptional candidate.

Please send full personal and career details in confidence to Alison Hawley, either by hand or courier, by fax (01-489 0245) or call our emergency phone number (01-248 3913), quoting reference 5130/FT in each case.

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Management Consultancy Division
P.O. Box 198, Hillgate House, 26 Old Bailey, London EC4M 7PL

Royal Insurance (UK) Limited... investing for the future in people

A Senior Strategic Role in Finance and Planning

c£28K + Car + Executive Benefits

One of the world's largest international insurance companies, Royal Insurance is a major market force providing a vital worldwide service to industry, commerce and the public. Royal Insurance (UK) Ltd is the Group's general insurance company in the UK, with premium income in excess of £1 billion. To maintain our pre-eminent position in an increasingly challenging marketplace, we have recently undertaken a *fundamental restructure of the company.*

This restructure has identified a need for an exceptional, forward thinking accountant to join our head office team in Liverpool at a senior level. Part of your remit will be to oversee the upgrading of our expense recording, budgeting and allocation systems as part of your contribution to the process of devolution of profit accountability in the organisation. You will be required to look at this and other projects in a strategic way, producing plans and concepts that will often look several years into the future. You will be responsible for developing our banking strategy, and have control of our central cash management function. You will also develop the framework within which Area Branches operate credit control policy.

This is a high profile position, offering frequent contact with general management. We are seeking a qualified accountant with previous exposure to the management of change and the implementation of new ideas. Probably in your 30's, you will ideally have worked in a management accounting environment and will be a capable strategic thinker, able to provide a powerful personal input and with the capacity to move up rapidly within Royal (UK) or other parts of the Group.

The benefits package also includes profit share, mortgage subsidy, non-contributory pension and life assurance scheme, and generous relocation assistance where appropriate.

Please write enclosing full cv to: Mr M B Hodgson, Resources Manager, UK Personnel, Royal Insurance (UK) Ltd, PO Box 144, New Hall Place, Liverpool, L69 3EN.

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Successful Management Accounting – on a European scale.

up to £35,000 + Car *Thames Valley*

Drawing together management information, interpreting findings, and passing on advice and recommendations to major decision makers.

A high level role certainly, but even more so when supporting the European activities of a world leading force in advanced telecommunications equipment, with European sales currently running in excess of £50 million p.a. The co-ordination and interpretation of financial information from our sites around Europe is at the centre of this Senior Management Accountant's brief.

With excellent interpersonal and communications skills you will establish firm relationships with the Financial Controllers at each site, receiving from them the information and results that will enable you to draw up reports and make presentations at the highest level within our European organisation.

You will, of course, use well developed analytical skills to interpret your findings, and will possess a breadth of vision and a market awareness that will enable you to make relevant and successful recommendations. Extensive travel to all our European sites will enable you to gain a thorough insight into all aspects of our business.

A qualified Accountant, you will probably have around five years post-qualification experience (including two working with senior management) and are now looking for a role offering broader responsibility and scope. European experience would be useful, but is not essential.

In return for your skills and commitment we are offering a competitive salary plus company car, and the full range of attractive benefits you would expect from a large, successful multinational organisation.

Austin Knight Selection have been retained to advise on this appointment. Please telephone our Consultant Peter McMahon on 0272 221891 (daytime) or 0452 856017 (evenings/weekends). Alternatively write to him with full CV quoting Ref: S/399 and indicating current salary at Austin Knight Selection, Kings House, Bond Street, Bristol, BS1 3AE. Alternatively, fax your CV to him on 0272 221117 or hand deliver to any Austin Knight office.

Austin Knight Selection

Qualified Accountant

International Prospects

c£23,000 + Company Car + Bonus **Middlesex**

This global business has a worldwide turnover of £10 Billion. Its successful U.K. operation has manufacturing, research and sales facilities on a nationwide basis. Due to company expansion and overseas promotion within the accounting function an *opening is available for a qualified Accountant aged* mid/late 20's.

As well as management reporting this post holds responsibility for monthly sales/profit estimating, expense planning and providing a complete accounting service for the trading business. Company loans/borrowings, hedging/interest rate risk management accounting and currency dealing is also managed by the financial accounting group. Extensive liaison with the European headquarters on all aspects of business profitability will involve some overseas travel.

Operating in a highly computerised multi-currency environment this diverse role demands commercial thinking and the type of personality that favours a high profile position. The company envisages that the right candidate will follow a career path leading to a more senior position probably in one of their many international operations.

Please telephone or send your full career and salary details to Belinda Strickland.

LINK
13/14 Hanover Street, London W1R 9HG. Tel: 01 493 5788. Fax: 01 408 1018.
Link International Search & Selection Ltd.

FINANCIAL CONTROLLER

Major US Bank

£35-50,000 + banking benefits + bonus

Our client, a major US Bank active in a number of important markets, but in particular, rapidly developing a broad range of risk insurance products, is looking for an outstanding accountant to take on the role of Financial Controller.

You will be an ACA with direct experience of Financial Institutions. Knowledge of treasury and risk insurance products would be a bonus. You must have above average technical and interpersonal skills and a proven track record in management of staff and dealing with complex accountancy issues.

In charge of 30 staff you will be responsible for all financial matters relating to the bank as well as liaison with front office and senior management in the US.

This position represents an outstanding opportunity for a talented, ambitious professional. There is real promotion potential to CFO within 2 years.

Interested candidates should contact Suzie Mumme on 01-248 3653, or write, sending a detailed C.V. to the address below, or use our confidential fax line on 01-248 2814. All applications will be treated in the strictest confidence.

78, Watling Street, London EC4M 9BJ

BBM ASSOCIATES

Tel: 01-248 3653/01-489 8070

CONSULTANTS IN RECRUITMENT

Cash and Foreign Exchange Management

FINANCE PROFESSIONAL

Switzerland **Excellent Benefits Package**

Our client is a prestigious international company and acknowledged leader in its field. Every day over 100 million products are sold in 100 markets around the world.

Responsibility for managing the Company's day-to-day cash and foreign exchange positions, lies with the Cash Management Section of the Treasury Department, based at their Head Office in Switzerland. They now require a talented finance professional to complete their team. Reporting directly to the Head of the Section, you will be responsible for short term financial investments and foreign exchange deals. You will also monitor and supervise the reporting of these activities.

Probably aged 25-30, well educated and flexible, you must have a strong corporate treasury orientation, or successful experience of foreign exchange and money markets within a bank or financial institution. You will possess excellent communication skills and a spoken knowledge of French in addition to English would be an asset.

Challenge and scope well beyond the normal are implicit in this high profile, highly responsible post and you can look forward to interesting career prospects. They offer an attractive salary and benefits package and comprehensive relocation assistance will be provided.

If interested, send or Fax (01-636 5592) your CV to Kathryn Arundell quoting Reference G593, or telephone 01-631 5135 or 01-631 0348, for an application form.

Grosvenor SEARCH INTERNATIONAL LTD

Search & Selection, 178-202 Great Portland Street, W1N 6JJ. Tel: 01-631 5135 or 01-631 0348.

Appointments Advertising Also Appears on Pages 20 & 26

Project Accountant

Surrey **Package c.£30,000**

Our client, Alphameric plc, is a dynamic Group engaged in the manufacture and supply of high quality custom-made computer products. Already enjoying a phenomenal growth rate the Group is keenly committed to a policy of further expansion both organically and by acquisition.

Reporting to the Group Financial Controller, key responsibilities in this autonomous role will involve the development and streamlining of management information throughout the Group. The position will include some overseas travel, particularly to Southern France.

Candidates should preferably be qualified accountants in their late twenties, ideally with practical experience of company systems and procedures and a good knowledge of French. They should be able to demonstrate a mature, confident personality and, in particular, the ability to liaise effectively with senior management.

Please apply to Anthony Jones, Career Plan Ltd., 33 John's Mews, London WC1N 2NS, tel: 01-242 5775 or 01-348 3641 between 7.30pm and 9.30pm. (Office Fax. No. 01-831 7623.)

Career plan Limited
Personnel Consultants

FINANCIAL CONTROLLER
PROPERTY
West End c.£35,000 plus car

Our clients are a small, publicly quoted, rapidly expanding and highly successful property investment/development group with a number of exciting projects in hand and in prospect. To strengthen the entrepreneurial management team they now wish to recruit an able and experienced Financial Controller and Company Secretary.

The Controller will be responsible to the Managing Directors for handling all aspects of accounting and financial management, with considerable emphasis on the treasury function, project appraisals and costing exercises. Responsibilities will also include company secretarial duties, general administration and the further development of computerisation.

Applicants should be graduate chartered accountants with some knowledge of the property market. Maturity, judgement, flair and determination will all be required to make a success of this demanding role. The growth potential both for the group and the individual is outstanding.

Please write in confidence with full career and salary details, quoting reference N4391 to John Hills.

KPMG Peat Marwick McLintock
Executive Selection and Search
70 Fleet Street, London EC4Y 1EU. Tel: 01-236 8000. Fax: 01-583 3534

"A highly desirable position within a prime location"

Financial Director

M3/M4 Corridor — *c. £50,000 + substantial benefits*

Our client is a leading independent practice, specialising in a range of property services. A dynamic and entrepreneurial group, they have a reputation for high quality and innovation. They place considerable emphasis on the calibre of their staff and the personal service which is offered to clients. Their plans include further growth and diversification of activities whilst maintaining independence within the current acquisitive climate.

As a new member of the Board, you will make a significant contribution to the development of the business. Working closely with the Chairman and Managing Director, you will operate at the highest level, providing financial input for strategic decisions, reviewing and controlling the finance function and helping the group to meet its long-term objectives.

You will be a Chartered Accountant in your mid to late thirties with impressive financial skills. These may have been gained within the financial services or retailing sectors. You must have the drive and personal skills to make a positive impact in this proactive role.

The excellent remuneration package includes performance related bonus and possible share option scheme.

Please send full personal and career details in confidence to Alison Hawley, either by hand or courier, by fax (01-489 0245) or call our emergency phone number (01-248 3913), quoting reference 5120/FT in each case.

Deloitte Haskins+Sells
Management Consultancy Division
P.O. Box 198, Hillgate House, 26 Old Bailey, London EC4M 7PL

Capital Markets Financial Controller seeking broader challenge

Executive Director
Head of Operations & Finance
£35,000-£50,000 + banking benefits

Our client is the Capital Markets subsidiary of one of the world's largest banking groups. They maintain an active global presence in the trading and distribution of fixed and floating rate international and domestic securities across a broad range of currencies and markets.

They are currently looking for an Accountant/Operations Manager to assume responsibility at Executive Director level, for settlements, operations, compliance and finance.

The position, managing 20 staff, represents a challenging blend of line management and development skills. Responsibilities will include overseeing the settlements and finance areas, developing and maintaining relationships with compliance authorities, and advising traders on new product feasibility and capital adequacy problems.

You will have excellent experience of financial control, and an understanding of securities products, operations procedures and regulatory requirements. Good managerial abilities and strong interpersonal skills are a prerequisite.

This represents an outstanding challenge for a bright, hardworking individual seeking responsibility in a broader role. Superb career prospects are offered within the Group.

Interested candidates should contact Suzie Mamme on 01-248 3653 (01-673 2549 evenings/weekends), or write, sending a detailed C.V. to the address below, or use our confidential fax line on 01-248 2814. All applications will be treated in the strictest confidence.

76, Watling Street, London EC4M 9BJ — BBM ASSOCIATES — Tel: 01-248 3653/01-489 8070

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Increasingly involved in the provision of high-tech solutions to the commercial and banking sectors, Digital is now looking for specialists whose computer knowledge was gained in either of these sectors, and who would relish the chance to share their knowledge with others.

As long as you're enthusiastic and possess good communications skills, we'll train you in the latest technology and classroom techniques, preparing you for a satisfying career as an instructor.

Working on either our clients' sites or in one of our sophisticated Training Centres, you'll be helping our customers make the most of their systems, as well as keeping yourself up to date with the latest industry developments.

As the world's leading supplier of networked computer systems, we are an expanding and progressive company which recognises, encourages and rewards individual potential. We offer an excellent salary and benefits package (including company pension scheme and medical insurance).

Austin Knight has been retained to handle initial applications for these interesting positions. Please telephone our Consultant, Kevan Sproul, on 0276 51410 (day) or 0737 244115 (evenings/weekends). Alternatively, write to him at: Austin Knight Selection, Knightway House, Park Street, London Road, Bagshot, Surrey GU19 5AQ. (Fax: 0276 51418). Quoting ref: EYS461.

Digital welcomes qualified applicants whatever their background or sex and provides an environment appropriate to the needs of the disabled.

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INFORMATION SYSTEMS AUDIT

Central London — **£22-28,000 + mortgage etc**

One of the most influential financial services groups, our client dominates its sector. Its size and resources have enabled it to move decisively into new areas through acquisitions and new ventures, generating substantial growth.

Major reorganisations and numerous new systems development projects are underway to provide more effective management and control. Reviewing and appraising these changes creates unrivalled experience and challenge – a thorough insight into all aspects of the group's activities and exposure to management at all levels.

Career opportunities are exceptional for those joining the group through its in-house audit function as these positions are proven stepping stones for progression within this team and subsequently into operating company financial and management roles.

Applicants, preferably qualified accountants aged under 30 currently in the profession, commerce or public sector should have a sound grounding in and practical experience of the use and control of computer applications in the business environment.

Salaries are negotiable according to age and experience and benefits include a non contributory pension and subsidised mortgage.

Please write with full career details or telephone David Tod BSc FCA quoting reference D/759/RF.

LLOYD MANAGEMENT

LLOYD MANAGEMENT Selection Consultants 125 High Holborn London WC1V 6QA 01-405 3499

laura ashley

Financial Accountant
Brand Management Group

Powys — **Competitive Salary + Car**

With over 365 shops worldwide and 7,000 employees, Laura Ashley's annual turnover is currently in excess of £200 million. The Brand Management Group is responsible for designing, developing and sourcing all products sold under the Laura Ashley name. As a result of continued expansion they currently seek to appoint a Financial Accountant to manage the Powys Finance Team.

Reporting to the Financial Controller, key responsibilities will include: production of all financial accounts, management of all payments including foreign currency transactions, cash flow reporting, stock and sales accounting.

Strong managerial skills will be of vital importance in this role. Suitable candidates will be able to demonstrate excellent communication skills, self motivation and flexibility. Applicants should be qualified accountants probably aged between 26 and 32. This role will act as an entry point into a growing worldwide retail force and promotional prospects will extend throughout the group.

Interested applicants should ring **Kathy Toole** on **0272/276509 (24 hours)** or write to her enclosing a comprehensive CV at Michael Page Finance, 29 St. Augustine's Parade, Bristol BS1 4UL.

MP
Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

MANAGEMENT ACCOUNTANT - FMCG

East Midlands — to £25,000 + car

Our client is a key operating division of a major PLC with a turnover in excess of £300m. A market leader in the industry, profits have increased significantly. This has been a direct reflection of substantial investment ensuring full automated manufacturing efficiency and improved quality.

A recent promotion into general management has resulted in the need to appoint a qualified accountant to assume full responsibility for the finance function including:
■ All aspects of financial control ■ Strategic planning and product pricing ■ Management information systems ■ Costing and financial analysis ■ Ad hoc commercial project assignments

Reporting to the Site Director, and as part of the senior management team, you will be responsible for managing a team of over 20 staff.

Aged 25-35, you will be a qualified ACA, CIMA or CACA, with experience in the manufacturing/fmcg sector and with the ability to communicate effectively at senior levels and in maintaining strict reporting deadlines. Opportunities for progression within this prestigious group are excellent and actively encouraged.

In the first instance, please write in confidence with full curriculum vitae, quoting reference 412/S, to Charles Barker Selection, 30 Farringdon Street, London EC4A 4EA.

Or contact David Nicholson on 01-634 1106.

CHARLES BARKER Selection
Executive Selection & Search Consultants

SpencerStuart
on behalf of

THE LONDON INSTITUTE
Director of Finance and Administration

On 1st April 1989, the London Institute will become a corporate body with headquarters based close to Oxford Street. A key step, vital to the successful development of the Institute, will be the appointment of the Director of Finance and Administration.

The London Institute and its seven constituent colleges has over 20,000 students, a revenue budget exceeding £35m and a major property portfolio valued at over £150m. The London Institute is predominantly concerned with education in the Arts, design/design-related studies and a wide range of vocational courses at degree and diploma level.

The Finance Director, a qualified accountant probably aged between 40 and 50, will be directly responsible to the Rector for the full financial function, its policies, practices, systems, budgets and performance control, and for central administrative arrangements. The task is challenging and requires someone of outstanding calibre. This will be reflected in the compensation package. In view of the significance of the post, Spencer Stuart & Associates have been asked to advise and assist in the appointment.

Those interested should write, enclosing a curriculum vitae, in confidence to: The London Institute, c/o Spencer Stuart, 113 Park Lane, London W1Y 4HJ.

Accountants: controlling growth

Yiewsley, Middlesex **to £30,000 + Car**

Cap Gemini Sogeti is one of the largest DP service and consulting organisations in the world, with operations throughout Europe and the USA. Its pre-eminence has been achieved through a growth rate in excess of 30% per annum over the last decade and effective financial management to control and direct this pace of development.

With a current headcount of 150 people, the projected trebling in size of the UK subsidiary has created the need for a Finance and Administration Manager to join the tight knit Head Office team and work closely with the operational managers. It is a wide ranging brief that will make demands on technical, man management and commercial expertise. It will require a 'sleeves rolled up' approach to the day to day running of a small accounts function as well as setting up the necessary systems on an IBM 36, and recruiting and organising staff effectively to ensure the management, control and reporting framework to deal with the demands of future growth. It also includes helping in the formulation of the company's direction and objectives, co-ordinating long term plans and annual budgets and ensuring the commercial control of the company's activities and projects.

You will be a qualified accountant aged 30-35 with good commercial experience. Well developed interpersonal skills and a mature, positive approach will be needed to deal effectively with commercial managers, create a cohesive accounts function and help manage the dramatic growth of the organisation. A knowledge of French would be an advantage although not essential.

If you feel that you can meet this challenge please write, enclosing a comprehensive C.V. to Keith Evans, Regional Manager, at Michael Page Finance, Windsor Bridge House, 1 Brocas Street, Eton, Berkshire SL4 6BW. Alternatively telephone him on 0753 856151 or fax 0753 864605.

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

Corporate Controller

Central London **to £27,000 + Car + Petrol**

Our client is the UK subsidiary of a major French fmcg group. An opportunity has arisen for a competent and highly motivated financial executive to play a key role in the commercial development of the company.

Reporting to the Managing Director, and in close contact with the French parent company, this role will necessitate considerable senior level liaison with the marketing and manufacturing functions.

Responsibilities will include preparation of the Company's budget and long term plans, performance evaluation and financial reporting. In addition, the Controller will be responsible for the treasury and foreign exchange of the Group's UK Holding Company.

Candidates, probably aged 26-32, will be graduate, qualified accountants with in-depth exposure to planning and analysis, ideally gained in a high profile marketing environment. Fluency in French together with a perceptive and innovative approach are key personal qualities.

The highly attractive remuneration package will include a fully expensed company car and other generous fringe benefits.

Interested applicants should contact Liz Salter, on 01-831 2000 or write, enclosing a full C.V., quoting MF 159, at Michael Page Finance, 39-41 Parker Street, London WC2B 5LH.

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

millicom

Finance Manager

NE England
c £30k + car + profit share

Millicom's new paging service is due to go live in the South East during the final quarter of 1988, with coverage in other areas following soon after. The potential subscriber base is vast and ambitious plans exist to expand the business rapidly.

A Finance Manager is required to take total charge of all aspects of the company's finances. This will include developing the billing system, establishing a management information system, setting up budgetary controls and also raising funds from the market. Managing staff and contributing to business development will also be important aspects. You will report in to the Managing Director.

Ideally you will be in your 30s, a qualified accountant with large and small business experience. You will have worked in a fast moving environment, where good customer service is vital, and ideally have been involved in a business start up. Drive, energy and good people management skills are all essential attributes needed.

This is an exciting challenge with very broad scope to become involved in a successful business. The job will be based in NE England where the new HQ is being established. Flexible relocation assistance is available.

To apply please write with your CV, quoting ref 5107 to Dr R H Penfold, Principal Consultant, P-E Inbucon Ltd, 34 Grosvenor Gardens, London SW1W 0DH or phone 01-730 4599 office hours, 0372 57801 8pm to 10pm or Fax: 01-730 7096.

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Chartered Accountants

INVEST YOUR SKILLS IN 3i FOR AN EXCITING CAREER

As the UK's largest source of private venture capital we provide finance to companies in almost every area of business. Our continuing success and growth offers you the opportunity to exert a positive and supremely valuable influence on the future of British industry.

Become an Investment Controller with 3i and your brief will be challenging indeed. You'll make full use of your foresight, energy and commercial instinct. You'll find creative solutions to complex issues. Judge each situation on its merits. Then, take the calculated risk each investment decision demands.

As a Chartered Accountant aged 25-32, you will have demonstrated your potential through broad experience in the accountancy profession, industry or commerce. Our development programme will hone your management, technical and marketing skills; enabling you to take advantage of the exciting long-term prospects only 3i can offer you. High financial rewards will keep pace with your progress, and you'll enjoy all the benefits of a company car, staff house loan, non-contributory pension scheme, private medical cover and health insurance.

Whether you join us in **Liverpool, Brighton, Leicester, Cambridge, Newcastle or the West Country**, your career horizons couldn't be wider.

For a confidential discussion on 31 opportunities, telephone Lindsay Sugden ACA or Penny Bramah on 01-404 5751 or send your c.v. to them at Michael Page City, 39-41 Parker Street, London, WC2B 5LH.

Michael Page City

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- Definite partnership potential

WHAT DO YOU DO?

- For the opportunity to discuss on an informal, confidential and no commitment basis the outstanding opportunities we are handling **please telephone Lee Stirrup** or **Geraint Evans on 01-836 9501** (evenings/weekends 01-385 5344) or write with a copy of your cv to our London address.

FINANCIAL & MANAGEMENT RECRUITMENT CONSULTANTS
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TELEPHONE: 01-836 9501

Abbey p.l.c.

Financial Director Plant Hire Subsidiary

(substantial package envisaged)

A qualified Financial Director (FCA) is required by M&J ENGINEERS LTD., the plant hire group within ABBEY PLC.

This group, with its Head Office in Hitchin, Hertfordshire, operating from 20 strategically placed depots in the Southern half of the country, wishes to appoint a qualified Finance Director to its Board, to act with the Managing Director in the achievement of its dynamic growth plans.

The ideal candidate would be aged between 32 and 40, qualified to FCA standard and possibly possessing an MBA in Business Administration. Knowledge of the Plant Hire Industry would be a great benefit, with commercial acumen and experience being of prime importance.

Please apply with full Curriculum Vitae to:
Mr O.A. Jackson,
Managing Director, M&J Engineers Ltd.,
Cashel House, Cadwell Lane,
Hitchin, Hertfordshire SG4 0SQ

A MEMBER OF THE Abbey PLC GROUP OF COMPANIES

FINANCIAL CONTROLLER

Norfolk/Suffolk **to £30,000 + car**

A £30 million turnover printing company seeks the kind of accountant who enjoys getting behind the figures and looking at the commercial aspects of a business. The Financial Controller will take responsibility for all aspects of the finance function, supported by 14 staff.

The environment is fast-moving, sophisticated new computer systems are being developed and the complexity of the company's production operations presents a number of challenging technical problems in terms of producing pertinent information for management decision making.

Candidates must be qualified accountants with a shirtsleeves approach and a proven ability to manage staff. They should combine manufacturing industry experience with sound practical computer knowledge, including the use of advanced spreadsheets on micro's.

Costs of relocating to this attractive rural area will be paid where appropriate and prospects are excellent in a group with an outstanding record of turnover and profits growth.

Please send a career résumê, including salary history and daytime telephone number, quoting ref: 2969, to Graham Perkins, Executive Selection Division.

Touche Ross
Thavies Inn House, 3/4 Holborn Circus, London EC1N 2HB.
Telephone 01-353 7361 Fax: 01-583 8517

Financial Director

Africa Region

Based Southern England c£34k car, bonus, etc.

Our client – a major multinational group whose main focus is on pharmaceuticals and other health related products – is seeking a Financial Director for their successful and expanding African Operation. In addition to the control of five local affiliates, both Francophone and Anglophone and including South Africa, the Group markets its products in most countries on the African Continent. The total number of employees, the vast majority of whom are recruited and based locally, is in excess of 850.

Following the promotion of the current Financial Director to a general management role, a successor is now being sought.

Reporting to the Regional Director and joining a Management Team of three other functional specialists, the new person's key responsibilities will be:-

- Co-ordinating, in conjunction with local managements, the preparation of the Regional Strategic and Annual Plans and then monitoring their implementation.
- Providing timely financial reports to Corporate Headquarters.
- Controlling all legal, treasury, taxation and banking matters for the Region.
- Making a significant contribution as a senior member of the Regional Management Team to all aspects of the Region's business strategy and success.

The ideal applicant, who should be computer literate, will possess an accountancy qualification with several years of post qualification experience, covering manufacturing and financial accounting in professionally managed working environments. Some treasury experience whilst working for a multinational would be beneficial. Third world experience, preferably in Africa, is virtually essential.

Based in a very attractive part of Southern England, the new Director will be expected to spend at least 30% of his/her time on overseas travel, some of which will be on regular visits to the Paris sister headquarters. Spoken fluency in French as well as English is therefore necessary and written fluency in English mandatory. Likely age range 33-45. This challenging position is ideal for an ambitious Financial Manager looking to expand his/her professional experience with a view to moving into general management in due course. The remuneration package includes a very competitive salary, good bonus, private health, stock options, excellent pension scheme, life cover and generous relocation expenses where necessary.

If the challenge appeals, please write with full career details in strict confidence to: Dirk Degenhart (Ref: FD 811), Dirk Degenhart & Partners Limited, Management Search & Selection, Swan Centre, Fishers Lane, London W4 1RX. Tel: 01-995 1331 (daytime), 01-994 2157 (evenings). Fax: 01-994 6268.

Financial Director

Manchester

We are a PLC on the London Stock Exchange and are engaged in the manufacture and marketing of small electrical appliances.

We are generating growth, both organically and by acquisition.

We are looking for a high calibre person who will become the Financial Director of the main trading subsidiary of the Group.

Candidates should be Chartered Accountants, probably in the age range 30 to 40 years of age.

This interesting and stimulating position carries an attractive salary, share options, Company car, contributory pension scheme and free medical insurance.

Please write with full career details to date to:–

Mr. James Wallace, Pifco Holdings PLC,
Failsworth, Manchester M35 0HS.

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salton
CARMEN

King-Wilkinson Limited

SENIOR APPOINTMENTS – NORTH AFRICA

King Wilkinson has the following vacancies for a major oil company client in North Africa:

SENIOR ACCOUNTANT

Responsible for providing advice and guidance to personnel in preparation of management accounts and other information. Position involves monitoring compliance with joint venture agreements and liaison with contractors, clients and joint venture partners.

SENIOR AUDITOR

Responsible for supervision and participation in financial, operational and management audits involving review, and where appropriate, revision of existing audit programmes.

Applicants should be qualified accountants (A.C.A., A.C.C.A., C.I.M.A.) with a minimum of five years post qualification experience. A familiarity with accounting systems of oil exploration and production companies is desirable for both positions.

The remuneration packages reflect the seniority of the appointments and are highly attractive featuring the following elements:-

- Tax Free salary
- Free accommodation
- Paid flights home
- School fees
- Variety of additional benefits

King-Wilkinson KW

All applicants will be dealt with in complete confidence. Please write, giving full career details, to: Personnel Officer, King-Wilkinson Limited, Endeavour House, Cleveland Centre, Middlesbrough, Cleveland TS1 2PQ. Tel: (0642) 210301.

FINANCIAL DIRECTOR

circa £35,000

We seek an outstanding manager to direct and control the financial, information systems and personnel activities in a successful, £20m subsidiary of a large British plc. The business is complex, international and expanding fast.

Candidates, aged at least 30, will not only be professionally qualified graduates with an excellent track record in financial management but also businessmen or women of very high calibre. Experience of operating at senior managerial level in a manufacturing or engineering contracting organisation is essential.

Salary is negotiable and the benefits package attractive. Career development prospects are excellent. Location is a pleasant part of the South East.

Candidates please write, in confidence, giving details of age, qualifications, experience and present earnings quoting Ref. 1030. Alternatively, telephone John Pattison on 0602 411238. No information will be divulged to our client without your prior permission.

CB-Linnell Limited
7 College Street, Nottingham NG1 5AQ.
SEARCH & SELECTION CONSULTANTS
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FINANCIAL TIMES
Legal Pages

Legal Appointments will be appearing every Monday from

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£25
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Premium Positions

For Further Information Contact
01-248 8000

Elizabeth Rowan Ext 3456
Wendy Alexander Ext 3526

International Controller

Surrey/Hants Border

c£28,000 + car

Our client a US computer peripherals distribution group, with a t/o of $100m, is rapidly expanding through growth and acquisition.

This new appointment reports to the Group Finance Director with responsibilities covering the review of subsidiaries performance, budgets and cost control objectives. Additional project work will include the review of potential acquisitions. There will be close liaison with directors at subsidiary operations and corporate executives in the US which will entail c25% travel, mainly within Europe.

Candidates will be qualified accountants, age indicator 28–35, preferably with some international experience gained within a multinational environment. The role requires a self starter with good communication skills.

This is an excellent opportunity to join a lively, expanding group and relocation benefits will be provided where appropriate.

Please write or telephone enclosing a full resumé quoting ref: No 229 to:

Nigel Hopkins FCA,
97 Jermyn Street,
London SW1Y 6JE
Tel: 01-839 4572
Fax: 01-925 2336

Cartwright Hopkins
FINANCIAL SELECTION AND SEARCH

Hoggett Bowers

Executive Search and Selection Consultants

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A MEMBER OF BLUE ARROW PLC

Group Internal Auditors

Career Move Into Commerce!
City, Package Up To £30,000, Car

This highly profit oriented quoted company which operates in Finance & Property Development, offers a stimulating platform to move into the fabric of commercial enterprise. As part of a planned expansion this multi-disciplined team now seeks to extend their specialist audit function embracing all company operations and providing a progressive internal management consultancy, audit and acquisition service. The ideal candidates aged 25-40 will be qualified ACA's with a minimum of one years relevant post-qualification experience and display a flair for identifying commercial opportunities outside the more traditional accounting function. Personal qualities will include a flexible individual who can demonstrate effective interpersonal and organisational skills to achieve maximum results. This highly visible role should be considered as a stepping stone for future advancement into senior line management within the Group. Generous executive benefits.

W. Savage, **Accountancy Division, Hoggett Bowers plc,** *1/2 Hanover Street,* **LONDON,** *W1R 9WB,* **01-409 2766, Fax: 01-734 3738.** *Ref: K16003/FT.*

Group Financial Analyst

Immediate Challenge!
London NW1, To £26,000, Car

Our client, the UK subsidiary of a publicly quoted Group (turnover £290 million) currently seeks an ambitious accountant to contribute to the strategic growth of the business. Within this pro-active role you will undertake specific studies for senior management embracing potential acquisitions and evaluate major capital investment projects. In addition you will oversee a managed team of auditors engaged in the efficiency of all controls and related systems linked to a national multi-branched network. The ideal candidate aged mid 20's to 30's will be qualified with a minimum of one years post-qualification experience within the profession or commerce. A *'hands-on' individual is required who has the ability to work within a fast developing organisation with ever changing needs.* Effective interpersonal skills are essential coupled with team building attributes. Excellent opportunity for advancement within the *UK* Headquarters and the Group whose ultimate goal is profitable growth through efficiency, skilful marketing and innovation.

B.E. Boylan, **Accountancy Division, Hoggett Bowers plc,** *1/2 Hanover Street,* **LONDON,** *W1R 9WB,* **01-409 2766, Fax: 01-734 3738.** *Ref: K16005/FT.*

These positions are open to male or female candidates. Please telephone for a Personal History Form to the relevant office, quoting the appropriate reference.

Accountancy Personnel

Placing Accountants first

CONFIDENTIAL

GROUP MANAGEMENT ACCOUNTANT

EC3 **c£30,000+Bens**

A career opportunity has arisen within this major international group for a successful Qualified Accountant with a proven track record at a senior management level.

The role carries a large degree of autonomy and will require the ability to assess and appraise profitability and efficiency of subsidiary companies, to promote continued expansion and target areas for further acquisition and investment.

Applicants will demonstrate a commercial, forward thinking approach and be looking for a long term career development within a dynamic growth orientated group. Ref: JK/GFA.

For further information contact:
Accountancy Personnel
63/65 Moorgate,
London
EC2R 6BH.
Tel: 01-638 3955

FINANCIAL CONTROLLER

East Anglia **c£22,000+Car**

First class opportunity for a young qualified accountant, probably aged 26 to 35, to establish himself/herself in a dynamic management team with this major European group involved in manufacture and distribution nationwide with a turnover in excess of £40 million.

Initially responsible for production, development and analysis of management accounts and presenting strategic financial information, this high profile role ensures scope for career progression. Working alongside the Financial Director, the position provides an excellent insight into all the Company's Financial activities.

An impressive benefits package, including BUPA and bonus, is offered including relocation assistance where applicable.

For further information contact:
Accountancy Personnel
36 Museum Street,
Ipswich
IP1 1JQ.
Tel: 0473 215088

CHIEF ACCOUNTANT

Brentford, Middlesex **£25,000+Car**

Our client is an established force in the highly competitive market of office automation. In an upwardly mobile environment an opening has arisen for a qualified individual to assume total control of the group's accounting function.

Initially responsible for mainstream reporting, direct involvement will ensue in overseeing all administrative, personnel and company secretarial functions.

Ideally results-orientated, looking ultimately for advancement to Financial Director status, candidates will be in their late twenties with a shirt-sleeves approach and proven track record in commerce, preferably in the computer industry. Very much an all embracing role for the high achiever, please reply in the first instance to:

For further information contact:
Accountancy Personnel
43 Brompton Road,
Knightsbridge,
LONDON
SW3 1DE.
Tel: 01-581 5021

THE LAIRD GROUP

GROUP ACCOUNTANT

SW1 **Salary Negotiable**

This superb opportunity within a leading publicly quoted UK based industrial group represents a unique opening for a newly/recently qualified accountant to gain excellent exposure to advanced computer systems while consolidating technical expertise.

The group itself has grown substantially in recent years and with a number of acquisitions both in the UK and overseas, is set to expand even further. As a result, the Group Accounting function within their team-orientated Head Office is unusually dynamic and varied with real opportunities for further career development.

For further information contact:
Accountancy Personnel
6-8 Glen House,
Stag Place
SW1E 5AG.
Tel: 01-828 7555

BBN

CELEBRATE YOUR SUCCESS

Heathrow Area **Finalist/Newly Qualified** **£Highly Competitive**

BBN Software Products is a UK based division of an American corporation at the leading edge of high-technology. As an aspiring young accountant within this successful and expanding environment you will develop your skills by taking on the following responsibilities:

- ★ Preparation of management reports for UK and Europe
- ★ Maintenance of all financial accounts
- ★ Liaison with external bodies such as auditors and solicitors
- ★ Various aspects of company administration
- ★ Non-routine projects as required

Reporting to the Chief Accountant, this all-round position will test your accounting and commercial flair for future career opportunities within the corporation.

To avoid postal delays please call or Fax your details to Accountancy Personnel as soon as possible.

For further information contact:
Hodford House, Suite 24-25,
17-27 High Street,
Hounslow TW3 1TA.
Fax: 01-547 1587
Tel: 01-570 1618

S&F

Merchant Banking in Bristol
Corporate Finance Executive

Singer and Friedlander Limited, an independent merchant bank, needs a bright, creative young executive to join its expanding corporate finance department in Bristol.

We work in small teams and our clients are mainly the larger private and smaller public companies in the West Country. We would expect the executive joining us this year to be generating ideas for transactioos next year, and supervising them thereafter.

We believe that candidates should ideally be in the age range 30-40, with a recognised accountancy/legal/stockbroking qualificadon or related degree, and have had at least five years' relevant experience, but we would be delighted to be joined by someone with the ability to convince us to the contrary. This is a senior position with prospects of further promotion. An attractive salary commensurate with qualifications and experience is offered.

Applications, together with with a full curriculum vitae, should be addressed to:-

R P Corbett Esq
Executive Director
SINGER AND FRIEDLANDER LIMITED
Colston Centre
Colston Street
Bristol BS1 4XE

Singer and Friedlander
Birmingham, Bristol, Cambridge, Glasgow
Isle of Man, Leeds, London, Nottingham

RR ROTCH PROPERTY GROUP LIMITED

GROUP FINANCIAL ACCOUNTANT

Rotch Property Group is a rapidly expanding investment aod development property group,with a substantial commercial portfolio.

We are seeking to recruit a young recently qualified accountant who will be responsible for the financial administration and accounts of the group. Reporting to the Finance Director the role will include controlling the day to day accounting functions, treasury and cash flow management, the preparatioo of detailed maoagement information and statutory reporting requirements of the group.

Applicants should have good communicatioo skills, be dedicated and energetic in their approach to work and eager to enhance the further development of the group.

An attractive salary package is offered.

Please apply with full career and personal details to:

M H P Ingham F C A
Rotch Property Group Limited
7th Floor, Leconfield House
Curzon Street
London W1Y 7FB

Client Accounting Manager

Package c.£32.5K including car

Our client, a small team of professional accountants, provides tailor-made accounting services to a variety of successful private companies and individuals. The service ranges from the provision of day to day routine accounting requirements to the production of financial reports for management. Recent growth has led to the requirement for a manager who, using the network configuration of IBM PS II computers with remote terminals at clients' offices, will be responsible for the production of accounting records, developing the systems and *managing* a specialist team. *He* or she will be a mature person preferably with a professional accountancy background who can demonstrate:

- A thorough knowledge of all aspects of commercial accounting and operational financial reports.
- The confidence to deal with clients and their staff at first hand.
- The ability to manage and develop a specialist team.
- Experience of managing a computer installation.

The rewards include a very attractive salary and benefits package, pleasant working environment and the challenge of building the foundations of a growing client service. Success in this position could lead to equity participation.

Write or telephone in confidence to John Gregory at John Courtis and Partners, Selection Consultants, 855 Silbury Boulevard, Central Milton Keynes, MK9 3ND, (0908 663692) demonstrating your relevance clearly and quoting 5183/FT. Both men and women may apply.

JC&P Management Selection and Search
London, Milton Keynes, Wilmslow

Corporate Finance

to £25,000 + car and benefits **City**

Our client, a broadly based group in the Financial Services Sector, is seeking a self-motivated person in their mid-twenties, ideally a graduate, who has qualified in accountancy or law. You will work with the Corporate Development Director advising clients on the varied aspects of their corporate finance requirements and also assist him in the implementation of the Group's ambitious development plans.

As well as having a mature and positive personality, you will need to show initiative, commercial flair and possess good communication skills. Previous Corporate Finance or Merchant Banking experience would be a distinct advantage.

Career prospects are excellent if you can demonstrate your ability to succeed.

During the postal strike, please register your interest initially by telephoning me, quoting ref. 438, Colin J. Hooker FCA.

DBA ASSOCIATES LTD.
Management & Recruitment Consultants
Clerks Well House
19 Britton Street
London EC1M 5NQ
Tel: (01) 250 0003

Financial Controller

Pan European Communications

c. £33K + Bonus + Car

Our client – a world renowned Communications Company has been awarded the contract to manufacture a range of digital equipment to meet the challenge of the forthcoming Pan European communications market. Their commitment is to build a "world-class" 100,000 sq ft manufacturing facility to be fully operational by 1990.

Reporting directly to the USA, the Financial Controller will work closely with and fully support the UK Divisional Director in the creation of this new *business to meet their ongoing contractual obligations.*

The role is primarily one of broad commercial involvement. The focus of the appointment is to establish the financial accounting systems whilst considering variants to the current systems, co-ordination of all aspects of financial accounting and reporting to meet USA accounting procedures. In addition, you will recruit your team to be based in a new facility in the Home Counties.

The blend of experience and ability required is likely to be found in candidates aged 30-40, a qualified accountant holding a degree. In the last three years your track record will have included experience of a matrix management organisation, a manufacturing facility and involvement in USA accounting procedures and the responsibility for directing and managing financial activities.

Your high level of commitment, self-motivation and "hands-on" style and ability to respond effectively and decisively in a high speed rapidly changing environment will be rewarded with a world-class benefits package.

To discuss the position, please ring Michael Grove Dunning (calls answered 24 hrs a day) on 0628-75824 or write to him with full curriculum vitae at Grovemore Consultants, 21-23 High Street, Maidenhead, Berkshire. SL6 1JG.

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TRINITY COLLEGE OF MUSIC

ACCOUNTANT

LONDON W1 **C£18,000**

Trinity College of Music is one of the country's leading music teaching institutions. It also provides a worldwide external examinations and publishing service. The College has recently appointed a new Head of Finance to manage its Finance Department. He now seeks an Accountant to assist in developing the work of the Department, particularly in terms of new computer systems, and to undertake and be responsible for the accounting functions of the College.

This new post provides an excellent opportunity for a young qualified Accountant with energy and enthusiasm who wishes to join a College which is embarking on a programme of significant development.

Salary is negotiable but is not likely to be less than £18,000, including London Weighting Allowance. The College operates a contributory pension scheme.

Further details and application form from Assistant to Administrator, Trinity College of Music, 11-13 Mandeville Place, London W1M 6AQ.

Closing date for application Tuesday 27th September 1988.

A direct line to the executive shortlist

To secure the best appointments at a senior level needs more than good advice, accurate objectives and succinct presentation.

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Landseer House, 19 Charing Cross Road, London WC2H 0ES.

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FOR ACCOUNTANTS

EUROPEAN CONTROLLER

East Norfolk **to £30K + Car**

Our client, a subsidiary of a Canadian public company, provides goods and services to the oil and gas industry throughout Europe *with turnover around £25M.*

A controller is required who will be responsible to the Canadian parent for the consolidation and presentation under Canadian GAAP, of regular financial and management information from all UK and European locations. Additionally, monthly accounts and general accounting assistance must be supplied to the European general manager.

Preferred applicants for this position will be young chartered or cost management accountants with experience of systems development and controlling or supplying information with respect to a number of European service locations. Knowledge of Canadian GAAP would be very useful.

A relocation package is available.

In the first instance, please send brief personal and career details quoting reference F/579/A to Carrie Andrews at

Ernst & Whinney
Executive Recruitment Services
Becket House, 1 Lambeth Palace Road, London SE1 7EU.
Fax No. 01-928 1345

APPOINTMENTS ADVERTISING

For further information call 01-248 8000

Candida Raymond ext 3351

Deirdre Venables ext 4177

Paul Maraviglia ext 4676

Elizabeth Rowan ext 3456

Patrick Williams ext 3694

BP — *An equal opportunity employer.*

Britoil A member of the BP GROUP

Tax Specialists

at BP's North Sea Activities Centre in Glasgow.

Consolidation of BP's and Britoil's North Sea activities in Glasgow has created enhanced opportunities for tax specialists. The restructured Tax Department in Glasgow will undertake work that is technically complex and intellectually demanding. We need a team of nineteen tax specialists to work at both junior and senior levels for the largest oil company operating in the North Sea.

North Sea operations are a key long-term business for the BP Group. The group has:-

- **A stake in over 30% of North Sea Acreage.**
- **Interests in 14 oil fields and 4 gas fields.**
- **Planned investments of over £1 billion a year in the North Sea by 1990.**

You will be concerned with the tax liabilities in respect of North Sea interests and will have to deal with petroleum revenue tax, royalty and corporation tax.

We would like to hear from you if you are either:-

1. A graduate qualified accountant having passed your accounting examinations at the first attempt and having a minimum of 18 months' Corporate Tax experience.

2. An Inspector of Taxes having, at the very least, *successfully completed* the Accounts Investigation Course.

Training will be given for petroleum revenue and royalty taxes if necessary.

Career prospects in the Group Tax Department and within the BP Group as a whole are excellent and may include the opportunity of 2/3 year assignments in London and overseas.

Your salary and benefits package will be highly competitive, including generous assistance with relocation where appropriate. A company car will be provided with senior posts.

If you meet the above requirements and wish to progress your career please write or telephone for an application form to:-

Peter Craig, Senior Personnel Officer, Britoil plc, 301 St. Vincent Street, Glasgow G2 5DD. Telephone 041-225 5187

or

David Lear, British Petroleum Plc, Britannic House, Moor Lane, London EC2Y 9BU. Telephone 01-920 6987.

International Branded FMCG

CONTROLLER

Age 30-33 **London** **£28-33,000 + Bonus + Car**

Our client is an international group whose main activity is the production, marketing and sales of branded fast-moving consumer goods. Its outstanding reputation has been built upon marketing high quality goods with world famous brand names, and it is one of the largest export earners in the UK within its industry sector.

The Group seeks a Controller to assume responsibility within the Central Control function for the business activities of one or more of its Regions and/or Functions.

Reporting to the Group Controller, your primary focus will be on improving the financial results (mainly profit and cash) and providing to the Group Executive timely, accurate, objective and succinct interpretation of performance of your assigned areas. This will require working closely with the Regional/Functional management team(s) to give a general management overview, rather than just a financial focus.

You will be a graduate, ideally with a degree in business studies or management sciences, and a qualified accountant. You will have gained previous international experience in a multinational environment, with 'line' responsibility, or have worked in a strong middle-management staff position. Computer literacy is essential, as is presence and good inter-personal skills. In addition, some language ability in either French or Spanish, together with related industry experience would be advantageous, although not essential.

In addition to the salary, performance bonus, company car and other large company benefits, the package would include a profit share awarded in company shares.

Interested individuals should in the first instance telephone Peter Flammiger on 01-491 3431 at: FMS, 14 Cork Street, London W1X 1PE (Fax No: 01-491 4985).

F M S
Search and Selection Specialists for Financial Management

Financial Controller

Our client is a small but profitable estate and travel agency group. An energetic commercially minded account is sought to update financial systems and reporting directly to the M.D. to develop a senior financial and administrative role within the group. Based W. Middx C £20K + package. Write in confidence to:

Ian Rosmarin
Howard Parsons & Associates
5 Upper Tachbrook Street
London, SW1 1SN

Group Accountant

...a number two role for a young accountant

c.£27,000 **London, SW1**

CIN Management is a wholly owned subsidiary of The British Coal Corporation, responsible for managing the assets of the British Coal Pension Schemes; with assets of over £10 billion, it is one of the largest institutional investors in the country. Internal reorganisation has created a new opening for a Group Accountant to be based at our Victoria head office.

A qualified accountant, with 2/3 years' post-qualification experience, you will be accurate and precise, able to handle this major post encompassing day-to-day responsibility for recording very substantial amounts of money. A comprehensive knowledge of pension fund accounting and the appropriate statutory requirements and accounting standards would be a distinct advantage, as is a willingness to acquire further knowledge of relevant computerised systems.

Reporting to, and working closely with the Finance Director, whilst managing and motivating a small team, your main responsibilities will include supervising and reviewing accounting procedures and systems of control, the preparation of management reports and annual accounts.

Attractive terms and conditions of employment include a negotiable salary, depending upon age and experience, plus generous holiday entitlement and first-class career prospects.

Please write enclosing full career and personal details, stating current salary to:

Janice Bullen
Staff & Administration Division,
CIN Management Ltd
PO Box 10
London SW1X 7AD

Finance Director

N.W. London **From £40,000 + Car + Benefits**

Over the past 10 years, our client has grown to an enviable position as both a manufacturer and distributor of high-quality consumer durables. Continued growth coupled with diversification dictates the need to appoint a well qualified Finance Director, age 35 - 45 years, who can mature the group further.

The broad remit is to optimise the group's financial resources and contribute effectively to business strategy. Thus engaging all your talents. Such are the group's plans that you should possess the qualities to assume a Chief Executive's position within 2 years.

Rewards are commensurate with such a demanding role and include a basic salary of c.£40,000, performance bonus, full benefits and possible EQUITY PARTICIPATION. Relocation expenses are, of course, available.

Write, with full CV and daytime telephone number, to Patrick Donnelly quoting reference FT/029. Alternatively, FAX your details on 01-487 3344.

PD Consultants
MANAGEMENT · SELECTION
314/316 Vauxhall Bridge Road, London SW1V 1AA. Tel: 01-828 2273

DIVISION CONTROLLERS

Abingdon, Oxon & The City **C.£29,000 car**
A major finance and manufacturing company (T.O.£50M), has shown consistent growth over recent years and is currently seeking two accountants for the above locations. Reporting to the respective Managing Directors, you will be involved with the entire finance function. Benefits include annual bonus and mortgage subsidy.

COMPANY ACCOUNTANT

nr. Sittingbourne, Kent **£25,500 car**
Our client, a successful UK subsidiary of large multinational seek to recruit a qualified accountant. Reporting to the Financial Director and controlling staff of 10 you will be involved in all respects of accounting and ad hoc projects. Benefits include discretionary bonus and full relocation.

FINANCIAL CONTROLLER

Brighton, Sussex **£30,000 car**
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FINANCIAL TIMES
COMPANIES & MARKETS
Thursday September 15 1988

INSIDE

Newmont faces up to debt mountain

Burdened with $1.6bn of debt incurred to fend off takeovers, Newmont Mining has suffered repeated setbacks in the past year. Low ore grades and production delays at its Nevada gold find have dampened Wall Street interest in the company's stock and thus hit Consolidated Gold Fields of the UK, which owns 49 per cent of Newmont. Asset disposals and an improved cash flow may help the US gold miner to tackle its mountain of debt. Page 18

Indonesia plugs back into commercial TV

The full force of consumer culture is about to be rediscovered in Indonesia, where the country's first commercial television station will be launched in November, seven years after advertising was banished from TVRI, the loss-making state channel. John Murray, in Jakarta, examines the plans of Rajawali, the company which is investing $80m to put ads back on the screen using the latest US subscription technology. Page 19

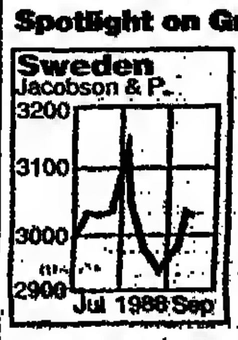
Brazilian warning bells sound

Feverish activity in its foreign debt conversion programme has spelt good news for Brazil. Latest year-end estimates are for formal conversions near to their ceiling of $1.8bn, and the informal market could add another $2bn to $3bn. But warning bells are already sounding over the impact of the programme on the country's already swollen monetary base, and consequently for inflation, currently running above 20 per cent a month. Page 22

Trouble down on the farm

Pressures on arable farmers in the UK are no better illustrated than by the problems facing Scotland's Grampian region, one of the most fertile areas in Britain. Declining farm-gate prices for cereals over three years have coincided with two bad harvests out of the last three. Bridget Bloom looks at a survey which highlights the difficulties of life in the Grampian countryside. Page 36

Spotlight on Greens



The possibility of the Green Party holding the balance of power after this Sunday's general election in Sweden has pushed many investors to the sidelines. Accused of not believing in the benefits of financial markets to an economy, the Greens propose raising capital gains tax on share transactions, instead of boosting the turnover tax. Sara Webb in Stockholm looks at the pre-election mood. Page 40

The battle of the bottle

Pride as well as profit are at stake in a battle over the future shape of the world bottle-filling machinery industry. The shape of things to come hangs on the outcome of a complex cross-border takeover dispute between two former partners, Kloeckner-Werke, the West German steel and capital goods group, and APV, the UK-based leader in food-processing machinery. Page 20

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			PARIS (FFr)		
Rises			Rises		
Bayer Hyp.	349	+ 8.5	[illegible]	373	+ 30
Deutsche Bk	505.5	+ 12.5	[illegible]	1180	+ 67
Siemens	468	+ 10	LVMH	3286	+ 116
Allianz	1630	+ 35.5	[illegible]	726	+ 41
Schering	519	+ 11	CSF	1315	+ 61
Falls			Falls		
RWE	241	- 2.5	[illegible]	1200	- 46
NEW YORK ($)			TOKYO (Yen)		
Rises			Rises		
[illegible]	81⅞	+ 1	[illegible]	689	+ 34
[illegible]	54⅞	+ 1⅛	[illegible]	545	+ 35
TW Services	22⅞	+ 1⅜	[illegible]	699	+ 38
[illegible]	32⅞	+ 1	[illegible]	[illegible]	[illegible]
Falls			Falls		
[illegible]	55⅞	- 1¾	[illegible]	1690	- 110
[illegible]	[illegible]	[illegible]	[illegible]	675	- 35
[illegible]	114⅞	- 1	[illegible]	1750	- 100
New York prices at 12.30.					
LONDON (Pence)					
Rises					
Boots	211	+ 8	Sovereign	172	+ 15
Dalgety	316	+ 13	Stand. Chart.	502	+ 24
Exp China Clays	482½	+ 15½	THORN EMI	612	+ 11
[illegible]	606	+ 10	Trade & Arndl	505	+ 137
[illegible]	324	+ 8	[illegible]	245	+ 9
[illegible]	152	+ 8	[illegible]	266	+ 7½
[illegible]	566	+ 22	Falls		
[illegible]	144	+ 12	[illegible]	451	- 11
[illegible]	301	+ 11	[illegible]	345	- 8
[illegible]	942	+ 18	[illegible]	374	- 13
[illegible]	365	+ 26½	[illegible]	416	- 17
[illegible]	246	+ 6	[illegible]	679	- 21

Murdoch plays the unwitting Cupid

Richard Lambert looks at the background to yesterday's deal between Pearson and Elsevier

Pearson and Elsevier, the Dutch publishing concern, have been flirting with each other for years: yesterday, the relationship finally became serious. The part of Cupid was played, albeit unwittingly, by Mr Rupert Murdoch, the Australian media baron.

When Mr Murdoch last month bid $3bn for Triangle Publications, the US magazine group, there was strong speculation that his near 20 per cent holding in Pearson would be sold to help finance the deal. Mr Pierre Vinken, the chairman of Elsevier, was approached by a bank and asked whether he would be prepared to buy the stake if it came onto the market.

Mr Vinken, who was only interested in a friendly deal with the UK group, contacted Lord Blakenham, his opposite number at Pearson, to ask what the reaction would be if Elsevier were to take up the stake. "Somewhat to my surprise," he said yesterday, "Pearson answered 'be my guest'."

In the event, Mr Murdoch decided to hang on to his shares in Pearson, the diversified group which includes the Financial Times in its broad range of publishing interests. But the renewed talks between the Dutch and UK groups has led to what both describe as an important strategic initiative, which they hope will lead to a much closer relationship in the future.

The City's view, by contrast, is that defensive considerations weighed at least as much as grand strategic visions in bringing about the share swap.

The two sides have had plenty of time to get to know each other. Mr Vinken has what he describes as a sympathetic relationship with Mr Frank Barlow, the chief executive of the Financial Times, and the two men have come up with a number of schemes since 1984 for bringing the two groups closer together.

The original idea was that they should put their publishing interests together into a 50:50 owned joint business. Pearson vetoed the plan because, says Mr Vinken, it was still suffering the traumas involved in buying the outside interests in Pearson Longman, which was at one stage a separately quoted business. Elsevier, for its part, was not keen on Pearson's idea of taking outright control of the Dutch concern.

Other ideas included the possibility of a joint approach to buy Hong Kong's South China Morning Post, and to acquire business newspapers in France and Spain.

The deal announced yesterday represents a fairly modest step on the way to the altar. Worked out on the basis of average share prices, and said to avoid any short term dilution of earnings, it gives Pearson 15.4 per cent of the enlarged share capital of Elsevier, while Elsevier has 8.7 per cent of Pearson.

This is just below the size of transaction which would have required Pearson under Stock Exchange rules to seek the approval of its shareholders, something which might have produced a little excitement if Mr Murdoch had objected to the deal.

Lord Blakenham said yesterday that the longer the period between striking a deal and its consummation, the more that could happen to share prices in the market and the less the chance of a successful conclusion. Besides, this was the size of shareholding which both groups wanted as a sensible first step.

Ownership of Dutch shares does not bring voting rights, but Lord Blakenham will join Elsevier's eight-man supervisory board and Mr Vinken will join Pearson's board. The two group's will equity account each other's profits (meaning that they will each include in their earnings their proportionate share of the other's profits). One analyst described this yesterday as cheeky, given the relatively small cross-shareholdings.

The idea is that the next step of the courtship will come from the operating subsidiaries of both groups, which will be encouraged to dream up ideas for commercial links and joint ventures.

Scientific publishing is one obvious area for collaboration. Elsevier claims to be the world's largest postgraduate scientific publisher – in all, science publishing accounts for 35 per cent of its sales. It specialises in scientific journals, whereas Addison-Wesley-Longman, Pearson's professional and educational publishing subsidiary, is a market leader in science, computer and educational books.

Taken together, the two are said to represent the world's foremost scientific publishing business.

On the newspaper side, there is talk of launching new daily newspapers in Europe, and of sharing editorial and printing resources. Elsewhere, both groups have important interests in medical publishing, and in trade and technical journals.

Although both sides are speaking in terms of an engagement, they are coy about naming a wedding day. Might it happen in, say, two year's time? Mr Vinken thought that would be too hasty, although he hoped that the relationship would be a lot closer by that time. The idea seems to be a phased increase in mutual interests rather than a sudden leap to an outright merger.

The question is whether anyone will try to object to the wedding banns in the meantime. While both sides were stressing yesterday the strategic long term gains which would flow from their relationship, the City was taking a more cynical view about the short term motives for the deal. Mr Robert Maxwell, the UK publisher still owns a stake of around 10 per cent in Elsevier, although that has not bought him any influence in the Dutch group. More threatening is the presence of Mr Murdoch on the Pearson shareholder roll.

Yesterday's deal marginally dilutes his interest in the group, and increases to perhaps as much as 40 per cent the proportion of shares held in hands friendly to the Pearson board.

Pearson and Elsevier have agreed that for a period of seven years, any disposal of shares will be subject to "orderly marketing arrangements."

"I've never known what Mr Murdoch wanted to do with his Pearson shares," Lord Blakenham said yesterday. The Elsevier deal could just flush Mr Murdoch into the open.

Ashley Ashwood

Lord Blakenham, left, and Pierre Vinken after announcing yesterday's deal

How the publishing interests compare

Pearson

Books
Addison-Wesley-Longman: professional and educational book publishing in US and UK, particularly strong in science, computer and educational fields.
Penguin: general hardback and paperback book publishing, with imprints including Penguin, New American Library, Viking, Michael Joseph, Hamish Hamilton, Sphere.

Newspapers
Financial Times; Les Echos (France); 25% of Financial Post (Canada); 50% of Economist; Westminster Press (UK provincial papers).

Elsevier

Scientific information: publishes some 650 journals and a large number of books in fields such as physics, chemistry, bio-medicine, information technology.

Professional and reference: US subsidiaries Congressional Information Service and Greenwood / Praeger publishing.

Trade and technical information: product tabloids and journals for nurses and teachers in US; Misset, the Dutch trade journals publisher.

Newspapers / Consumer Magazines: NRC Handelsblad, Holland's largest circulation evening paper; Algemeen Dagblad, the country's second largest morning paper; Dutch regional papers, financial and news magazines.

£303m cash call made by Standard Chartered Bank

By David Lascelles, Banking Editor, in London

STANDARD CHARTERED, the London-based international bank which is trying to recover from a period of heavy losses, yesterday launched a long-awaited rights issue for £303m ($514m).

The call on shareholders is intended to boost the group's capital strength, which is below the levels recently set by international bank supervisors and also compares unfavourably with those of other major banks.

Sir Peter Graham, the chairman, said that the rights issue "marks a further stage in the rehabilitation of the bank."

However, Standard Chartered has not obtained commitments from all of its three "white squire" shareholders to take up their rights. The squires came to Standard's rescue at the time of Lloyds Bank's unsuccessful takeover bid in 1986.

Only the Bell Group of Australia, formerly controlled by Mr Robert Holmes à Court, which has 14.9 per cent, has said it will subscribe in full to the new shares. Bell Group is now in the hands of Mr Alan Bond's Bond Corporation.

The family of Sir Y.K. Pao, the Hong Kong shipping magnate, which also has 14.9 per cent, has told Standard it will vote in favour of the rights issue but has no present intention of taking up its shares. The Paos have to November 1 to decide what to do. They have apparently told Standard that they do not need any assistance in finding buyers for their rights should they decide not to take them up.

Sir Peter said he had had no contact with the third white squire, Tan Sri Khoo Teck Puat, the Malaysian businessman with 7.6 per cent. Tan Sri Khoo's whereabouts has been uncertain since he became involved in a banking scandal in Brunei, which he recently settled.

Lloyds Bank, which still holds 4.9 per cent of Standard's shares, would not comment on its intentions.

Standard's new shares will be issued on a one for two basis at a price of 400p per share. This represents a discount of 17 per cent on Tuesday's closing price of 478p. Yesterday the shares gained 22p to close at 500p. Analysts said the rights issue had been well flagged in advance and there was relief that it had not been bigger. The issue is underwritten by Schroder Wagg and the brokers are Cazenove.

Standard gave no profit forecast for 1988 but said that, barring unforeseen circumstances, it would pay a final dividend of 22.5p this year, compared to 21.3p.

Last month, the bank reported interim pre-tax profits of £156m, compared to a loss of £272m in the first half of 1987, caused mainly by the need to set aside Third World loan provisions.

At mid-year, Standard Chartered's ratio of equity to total assets, the key measure of bank strength, was 3.1 per cent. Following the proposed sale of Union Bank, its California subsidiary, and the rights issue, this will rise to 4.7 per cent.

If Standard manages to retain a further £100m by year end, the ratio will exceed 5 per cent, bringing it within the range of other banks.

Lex, Page 16

Bergen Bank postpones its plan to launch rights issue

By Karen Fossli in Oslo

BERGEN BANK, one of Norway's top three banks, yesterday postponed until 1989 plans to launch a one-for-five rights issue to raise NKr302.7m ($44m), because of the weakness of the domestic stock market.

Bergen had planned the issue to meet new legal requirements for a higher capital ratio, which is currently put at 6.5 per cent of assets. Instead, it will raise a new subordinated yen loan equivalent to NKr350m.

The bank said that it was informed at the end of August by Norway's finance ministry and the Banking, Insurance and Securities inspectorate that the schedule for increasing the requirement on a consolidated basis was set for the end of 1989 or the beginning of 1990 at the earliest.

Norway's stock market, lacklustre and weak since the world stock market crash last October, has hurt Bergen Bank's share price which has plunged to a low this year of NKr105. Last year the bank's share price hit a high of NKr255 and a low of NKr145. This year it has struggled to achieve a high of NKr160. The shares traded domestically yesterday at NKr110.

Bergen Bank's share capital currently stands at about NKr1.449bn. The new loan, of which a half will be used to increase the bank's capital ratio and the remainder held in reserve, will increase Bergen Bank's capital ratio to 7.5 per cent of assets from 7.3.

Conversely, Den norske Creditbank, Norway's troubled bank, yesterday reaffirmed plans to launch a one-for-five rights issue to increase its share capital by NKr380m to NKr2.28bn.

Lasmo to sell 25% stake in Enterprise

By Max Wilkinson, Resources Editor

LONDON and Scottish Marine Oil yesterday announced that it intends to sell its 25 per cent stake in Enterprise Oil, after widespread speculation that the UK's two largest independent producers are vulnerable to takeover bids.

Lasmo's announcement came only a day after British Gas mounted an abortive raid on its shares, buying 1.14 per cent of its equity, rather than the 14.7 per cent which it had hoped for.

Lasmo, which has assets in Indonesia and Gabon as well as the North Sea, said its decision to sell the Enterprise stake was not affected by British Gas's activities in the market.

The move was widely interpreted in the City as defensive, intended to strengthen Lasmo's balance sheet and to raise the price to potential bidders.

The move was also seen to reopen the question of Enterprise's future as an independent oil company. Lasmo intends to dispose of its holding in one block, perhaps to a purchaser which wants to gain full control of Enterprise.

After the announcement, Enterprise shares rose 79p to 642p and Lasmo rose 22p to 566p.

Enterprise's chance of remaining independent may well turn on the results of the sale. Its main defence at present is its excellent track record in the five years since it was created from oil assets divested by British Gas.

Enterprise is also protected by a government "golden share," which could prevent a hostile takeover, but this is due to expire at the end of the year. It may also hope to receive support from its two largest shareholders, ICI, which owns 25 per cent, and the Norwich Union which holds 10 per cent.

Lasmo yesterday reported a 37 per cent increase in net after-tax profit to £14m for the first half of 1988, compared with the the same period in 1987. It also produced a pro-forma result showing that, if it had sold the Enterprise stake at the market price in January, after-tax profits would have been £21m, with earnings per share of 12p or 60 per cent higher than their level for the first half. Shareholders funds would have been almost doubled, and the company's net debt would be transformed into a £270m cash balance.

Mr Chris Greentree, Lasmo's chief executive, said yesterday that the investment in Enterprise had been very successful, but it now represented too high a proportion of Lasmo's assets.

This represents a marked change in the company's view since last year when Lasmo was buying Enterprise shares in the hope of raising its stake to nearly 30 per cent.

Playtex $1.3bn buy-out scheme

By Anatole Kaletsky in New York

PLAYTEX, the big US underwear, haircare and personal products manufacturer which was acquired by management less than two years ago in a $1.25bn leveraged buy-out, is to undergo another buy-out.

The second leveraged buy-out (LBO), which will involve a group of shareholders led by the same management team that bought the company from Beatrice Foods in December, 1986, will pay $1.3bn for Playtex.

Although few details were disclosed of the extremely complex deal, the second LBO looks like yielding Playtex shareholders a profit of around $400m in less than two years, at the cost of increasing the company's debt burden.

The profit will be realised because Playtex sold its cosmetics and fragrance businesses, including Max Factor, Almay and Halston, for $375m to Revlon immediately after the buy-out in 1986.

The second Playtex buy-out follows the pattern of several such deals announced within the past few months by managements seeking to cash in the profits generated by previous LBOs. Playtex profits have grown rapidly since the initial LBO.

Under the second LBO, Playtex will be split into two parts, both of which will be acquired by investor groups led by Mr Joel Smilow, the company's current chairman.

Playtex Apparel will be bought for $380m in cash by Mr Smilow and its operating management. The rest of Playtex Holdings will be bought by Mr Smilow, other members of management and affiliates of Thomas H. Lee, a Boston-based investment bank

The present shareholders in Playtex Holdings will—each receive $9.60 in cash and $50m in preferred stock which will pay dividends through further preferred stock issues.

There are currently 50m shares in Playtex Holdings, putting a nominal value of $910m on the combined Playtex Holdings and Playtex Apparel acquisitions. In addition, however, the acquiring group will take over the existing debts of Playtex Holdings.

The company said yesterday that the total value of the transaction would be "in excess of $1.3bn."

INTERNATIONAL COMPANY NEWS

No light at end of Newmont Mining tunnel

James Buchan on problems plaguing the New York-based resources company

NEWMONT Mining is in a hole. The New York-based mining company – which plunged into debt last year to escape a hostile takeover – is finding it harder to scramble back up than it thought, which is bad news for Consolidated Gold Fields of the UK, which owns 49.7 per cent of the company.

Newmont Mining's $1.6bn in debt still exceed its assets, its profits are squeezed by interest payments and its stock is shunned. Wall Street brokerage analysts say the stock is so low that the company would be under new threat of takeover but for Gold Fields' blocking shareholding.

Gold Fields, which rescued Newmont Mining from the clutches of a group of raiders last September and is itself the subject of perennial takeover rumours, saw the company tumble in value in October's stock market crash. Newmont Mining shares are now trading at a 33 per cent discount to the shares of its US gold subsidiary, Newmont Gold.

Mr Doug Newhy, an analyst at Cyrus J. Lawrence, a Wall Street brokerage house, says Gold Fields is exposed. Newmont Mining is cheap in relation to Newmont Gold, as is Gold Fields.

If all discounts were removed, Gold Fields might be worth £17 or £18 a share, instead of £10 ($16.9), he says.

Some analysts believe thst Anglo American, the big South African conglomerate which owns 28 per cent of Gold Fields through its Minorco subsidiary, may not be the only company interested in holding a large stake in Gold Fields.

Under some evident pressure from the UK, Mr Gordon Parker, Newmont Mining's chairman, announced last week the latest in a set of measures to try to increase his company's market value.

The company, which used to be the premier diversified mining house in North America, announced two deals designed to shrink its business to include just gold and coal. It is to sell out of Magma Copper, the last vestige of the copper business in which the company started life, and all US oil and gas properties. The sales will raise $360m.

When the dust settles from these two transactions – and from the impending sale of Newmont Mining's North Sea oil and gas properties – Newmont will consist of its large and highly promising gold mines in Nevada, most of an Australian gold producer and half of Peabody Holding, the largest US coal producer.

As if to confirm the shift from holding to operating company, Newmont Mining has announced it is moving its headquarters from the famous PanAm building on New York's Park Avenue to mining country in Denver, Colorado.

The sharp reduction in industrial values that followed the October crash has forced Newmont Mining to sell off more business than it planned when it took on its debt burden last year. But this is not the only reason for the sales. Analysts say Newmont Mining is also trying to focus the US and UK stock markets on its most valuable assets, above all the Nevada gold.

As of this week, the second part of the strategy has not succeeded. Newmont Mining's stock, which was trading at $35 before the announcement, was selling for $35¼ yesterday morning.

The heart of Newmont Mining's problem lies in the 400 sq miles of Nevada that it owns along with Newmont Gold, its 90 per cent subsidiary. The area includes part of a geological formation called the Carlin Trend, which is the best prospect for gold outside South African and the Soviet Union. Newmont Mining says it can mine at least 31m ounces of gold out of its properties.

The gold is both a blessing and a curse for Newmont Mining. The stock market's low valuation of the gold has already almost destroyed the company. Last summer, Galactic Resources, a small Vancouver company working in the north of the Trend, recognised the hidden potential of Newmont Mining's property.

It brought in Mr T. Boone Pickens, the Texas takeover specialist, to launch a $6bn bid for the company.

Newmont Mining fought off the raid, but at the cost of giving up much of its independence to Gold Fields and paying $2.2bn in special dividends to win the loyalty of its shareholders. In addition, Newmont Gold announced a $420m programme to extract the gold in the Trend and force Wall Street to value it more highly in the stock market.

In place of the 589,000 ounces the company produced last year, it aims to take out 930,000 this year, 1.4m in 1989 and 1.6m in the early 1990s. At this rate of gold production, Newmont Mining's debt would vanish and its stock price would rise.

Unfortunately, according to Mr Jim Hill of Newmont Mining, the production has run into a host of minor operating problems, from low ore grades to construction delays. High winds blew a big gravel "leach" pad for separating gold and ore off the desert's face.

Mr Hill says Newmont Gold will produce little more than 830,000 ounces this year. This means a delay before Newmont Gold starts contributing cash and profits to its troubled parent. But analysts believe Newmont Mining can reduce its debt load and this could narrow the market discount with Newmont Gold.

Mr Newhy says that last week's sales and the Dutch North Sea properties could reduce Newmont Mining's debt to little more than $800m by the end of this year – though other analysts think this is ambitious.

An imaginative deal to replace $450m of its cash debt with a low-interest gold loan has reduced Newmont Mining's interest payments.

"From this level, the debt is totally manageable," Mr Newby says.

Gold Fields is hoping so. In an uncanny repeat of last summer, American Barrick, which shares a mining deposit with Newmont Gold in the Trend, recently bought nearly 3m shares in the UK company on the chance that it might become a bid target.

AUSTRALIAN UNIT DOUBLES ORE RESERVE ESTIMATES

NEWMONT Australia, a 75 per cent owned unit of Newmont Mining, said yesterday it had doubled estimates of mineable ore reserves at its Telfer gold mine in Western Australia, to 2.9m ounces, AP-DJ reports.

The company said the increase resulted from further exploration and that, based on the expanded ore reserve, mining and processing schedules have been updated. It added that gold production would rise to 300,000 ounces in 1989, from about 270,000 ounces this year and 166,000 ounces two years ago, increasing further to 400,000 ounces in 1990.

Newmont Australia has a 70 per cent stake in the mine, and BHP Gold Mines a 30 per cent stake.

Monteshell hopes to break even this year

By Alan Friedman in Milan

MONTESHELL, the Italian joint-venture petrol station chain that is owned on a 50-50 basis by Royal Dutch/Shell and Montedison, is hoping to reach the break-even level by the end of 1988.

The Milan-based petrol company, which is the fourth largest in Italy with 2,000 stations, made a small net loss at the end of the first six months of this year on the back of L1,220bn ($882m) of turnover. Total 1988 revenues are expected to be around L2,500bn.

Mr Sergio Grass, managing director of Monteshell, said in Milan yesterday that he hoped to complete a major reorganisation of the group in the next few months.

Monteshell was formed 12 months ago and started life with 2,548 petrol stations acquired from Total of France, 120 from Shell and 400 from Montedison's Selm subsidiary.

Monteshell expects to have a total of 2,700 franchised stations operating by the end of December.

At present the company enjoys an 8 per cent share of the Italian petrol market and is thus ranked fourth after AGIP (owned by the ENI group), Esso and IP (also ENI-owned).

President quits Placer Dome after poor result

By David Owen in Toronto

MR JOHN WALTON, president and chief executive of Placer Dome, the world's largest gold producer outside South Africa and the Soviet Union, has resigned just five weeks after the year-old company reported disappointing earnings figures for the first half of 1988.

Differences over the Toronto and Vancouver-based group's future direction were cited in explanations for Mr Walton's departure.

The company said: "Mr Walton's view of the company's future was broader than the board felt confident with."

In a recent interview, the 57-year-old president said Placer Dome was actively looking for promising mineral deposits around the world in which to invest.

The group boasts a cash hoard of approximately C$1bn (US$813m) and is virtually debt-free.

First-half earnings, however, plummeted to C$77.1m from C$99.7m in 1987. The company, which expects to increase gold output from 781,000 ounces last year to 1.3m ounces in 1990, was hit by lower production, higher operating costs and adverse currency fluctuations.

The company has appointed Mr Anthony Petrina, previously executive vice-president and chief operating officer, as Mr Walton's successor.

Mr Petrina has been with Placer Development, one of three companies which merged to form Placer Dome in August 1987, for 28 years.

Placer Dome – which has interests in silver, copper and molybdenum mining – has been earmarked by some as a likely takeover target.

In morning trading on the Toronto Stock Exchange, the company's shares improved by C$⅛ to C$14⅞.

Dutch trading company to sell minority stakes

INTERNATIO-MUELLER, the Dutch trading and services company, is considering selling its various minority interests in Dutch and Belgian stevedoring firms, although no deals have been finalised, Reuter reports from Rotterdam.

The intention was announced by the board at an extraordinary shareholders' meeting in Rotterdam. The board was discussing new anti-takeover measures.

Internatio-Mueller owns 44 per cent of Rotterdam-based Europe Container Terminus (ECT), Europe's largest container handler, as well as large minority stakes in stevedoring firms in Rotterdam, Amsterdam, Antwerp and the northern Dutch port of Eemshaven.

Losses force restructuring at BP France

BP FRANCE, a subsidiary of British Petroleum, is to carry out drastic restructuring – cutting back its refining operations and focusing on retail sales – in order to stem growing losses, Reuter reports.

It said yesterday it was operating in "a climate of persistent refining overcapacity and intense competition."

Earlier, BP France announced consolidated net losses of FFr116m ($18.4m) in the first half of this year, against a FFr192m profit a year ago. More than 400 people are to be laid off in 1989

Chase Manhattan to shift New York staff

By Roderick Oram in New York

FEARS that New York is pricing itself out of the job market have resurfaced with the news that Chase Manhattan, a major employer, is considering moving about one quarter of its staff out of the city.

In common with others in financial services, the banking group has decided it is becoming too costly to keep its back office staff in Manhattan.

Chase, which has been intimately linked with the city since the Manhattan half of its corporate entity was established almost 200 years ago, said it was considering several options for moving some 4,000 of its 16,000 New York employees.

According to local reports, the bank's management will propose moving the staff to a 1.5m sq ft skyscraper to be built at Newport, a new development across the Hudson River in New Jersey.

Chase said, however, no decisions had been made and the company was still receiving proposals.

It was working closely, for example, with Ms Alair Townsend, the city's deputy mayor for finance and economic development, to assess sites in New York boroughs such as Brooklyn.

In recent years, Mayor Ed Koch has made life miserable for some companies which had the temerity to suggest the Big Apple was less than a desirable place to do business.

The Mayor has also used money to keep several large employers in the city.

NBC, the television network, recently received tax breaks worth more than $100m over the next 35 years for deciding to stay in the Rockefeller Center.

Two big game that recently got away, however, were J.C. Penney, the retailer, and Mobil Oil. Penney estimated it would save about $60m to $70m a year by moving its headquarters to a Dallas suburb. It hopes about 50 to 60 per cent of its New York management will make the move.

Over the past 10 years, since the New York economy began to recover from its travails of the mid-1970s, financial services have provided many new jobs.

Banking employment grew 29 per cent to 172,000 and jobs in the securities industry soared 123 per cent to 156,600, according to city figures.

INTERNATIONAL COMPANIES AND FINANCE

Fletcher Challenge leaps 50% to record NZ$532m

By Terry Hall in Wellington

FLETCHER Challenge, New Zealand's biggest company, lifted net profits by just under 50 per cent to a record NZ$532.3m (US$330m) for the year to June, up from a restated NZ$355.1m.

The result, towards the upper end of predictions, makes Fletcher the first New Zealand company to breach the half-billion local dollar profit mark. It reflects high returns from forestry and pulp and paper operations, particularly in North America, while domestic operations were subject to severe writedowns.

A 74 per cent leap in earnings from North American operations, to NZ$255.5m, meant that these contributed 48 per cent of total profit, up from 41.4 per cent in 1987. Worldwide sales jumped to NZ$9.17bn from NZ$5.82bn.

The long-troubled New Zealand forestry operations improved, with Tasman Pulp and Paper posting a NZ$52.6m profit, reversing last year's loss to produce its best result since 1985. A further NZ$53.3m contribution – 10 per cent of total profit – came from Petrocorp, the privatised energy company.

A further NZ$123m profit came from the sale of shares in Ranks Hovis McDougall of the UK late last year to Goodman Fielder Wattie, the Australasian foods combine. The proceeds have been taken above the line among investment earnings of NZ$136.3m.

Fletcher has already declared a second interim dividend of 14.5 cents a share (making 25 cents for the year as against 22.3 cents in 1987). This is designed to beat the October 1 taxation changes on bonus shares and no final dividend will be paid.

The record performance has allowed the group to take a hard line on New Zealand operations, particularly in the primary industries and trading division, which had a NZ$55.1m operating loss, against a NZ$39.7m profit last year.

Fletcher has lost NZ$96m from its three-year foray into the meat industry. The Challenge Meats subsidiary reported a NZ$31m operating loss, while a further NZ$65m has been written off following Challenge Meats' merger with Waitaki International.

Wrightson, the rural arm, made provisions for losses of NZ$30m on loans to farmers. Provisions for restructuring in other industry sectors totalled NZ$18m. Extraordinary items, which were negligible last time, showed a total debit of NZ$70.6m.

Mr Hugh Fletcher, chief executive, said: "This year's restructuring and rationalisation means that we have substantially lowered our break-evens and can be profitable at much lower levels of activity."

Although the next few months would continue to be very difficult for the New Zealand economy, it was possible to be optimistic about the future.

All its overseas operations had positive prospects for the current year. While newsprint prices had stabilised and new world capacity had come on-stream, pulp demand was expected to remain strong.

In just six years Fletcher had evolved from deriving nearly all its earnings within New Zealand to earning 58 per cent outside the country. Mr Fletcher said: "In 1982 we had one newsprint mill in one country with 330,000 tonnes of capacity. By the time the current round of capacity increases are through we will have eight newsprint mills in five countries with 2.2m tonnes of capacity."

The year's spending spree has stretched Fletcher's balance sheet, with capital sums (including minority interests) of NZ$4.81bn and total assets of NZ$11.57bn – a capital ratio of 37.2 per cent, down from 46 per cent last year.

Flotation considered for BNZ sell-off

By Our Wellington Correspondent

THE New Zealand Government is considering a public flotation of Bank of New Zealand, the state-controlled commercial bank, rather than the previously mooted sale to a single buyer.

Mr Richard Prebble, Minister of State-Owned Enterprises, yesterday confirmed that some state assets would be sold through public issues. While he did not specify BNZ, he said a successful flotation would add depth to the New Zealand stock market and widen blue chip share ownership.

The Government floated an initial 12.9 per cent in BNZ in March last year at NZ$1.75 a share. Yesterday the shares were selling at NZ$1.72, valuing the remainder in government hands at NZ$1.2bn (US$744m). A flotation would probably be made in more than once tranche. It is understood that the Government believes that a sale in this form would be more acceptable to the left wing of the ruling Labour Party.

Mr Prebble said assets would not be sold at a discount along the lines adopted in Britain.

Indonesia tunes in to advertising

John Murray Brown on Jakarta's first commercial TV station

INDONESIA is about to rediscover the full force of consumer culture, with the launch in November of the country's first private commercial television station, seven years after advertising was banished from TVRI, the loss-making state channel.

Rajawali, a company part-owned by a son of President Suharto, is investing more than $80m to put advertisements back on the screen using the latest in US subscription TV technology.

Its operation is limited initially to the capital Jakarta but the Government has hinted that licences for other Indonesian cities may also be awarded. Mr Peter Langlois, a former California television executive drafted in to start up Rajawali, said that Jakarta must be the last major city in the world to get commercial TV.

The company has contracted Roscor Electric of Chicago to build a studio complex with in-house production facilities and a remote telecast capability for outside sporting events. Ms Zsa Zsa Yusharyahya, sister of Indonesia's best-known film actress, is meanwhile grooming a staff of some 400, few of whom have any TV experience.

In 1981 Indonesia banned commercial advertising, arguing that it was feeding consumerism. A survey at the time found that farmers were selling buffalo to buy motorcycles and investing in refrigerators before their village had been wired up by the state electricity utility.

Television was then the most popular advertising medium, with airtime on TVRI constantly oversubscribed. It was also a healthy money spinner for the government, earning more than $20m a year in royalties.

The ban allowed newspapers to boost their rates to levels that are still higher than many Asian countries. There was an explosion of private satellite dishes picking up Malaysian and Singapore TV and the demand for video cassette recorders increased as Indonesia's emerging middle class became increasingly dissatisfied with the simple fare offered by TVRI.

Mr Peter Gontha, senior director of Bimantara, Rajawali's parent and one of Indonesia's fastest growing companies, said: "I think we've sold it about right. There are 425,000 video recorders in Jakarta. On top of that, Indonesia is going to honour international copyright laws. Now if that's the case, hiring videos will be very expensive. I think the market is really wide open."

Rajawali has ordered 300,000 special digital decoders from Zenith of the US. The company expects 75,000 subscribers by March, when the station goes fully commercial, and as many as 400,000 within two years. Subscribers will pay a monthly hire charge of Rp30,000 ($17.60) on top of a Rp130,000 installation fee. Mr Gontha said: "That's already enough to cover our interest payments and you still have the commercials."

For a prime-time 30-second spot, an advertiser will pay $1,600, or $16 to reach each 1,000 viewers. This is more than 10 times the rate in Hong Kong and Malaysia and 50 times the cost in Thailand. Only Singapore, with its smaller audiences, sells airtime at comparable rates.

The head of one of Indonesia's largest advertising agencies said: "We think Rajawali may be over-estimating the market. From their figures, companies would have to spend half their budget on TV."

Advertising revenues are set to earn Rajawali between $60m and $70m a year, compared with total annual Indonesian billings of around $125m.

Another adman said: "The minimum cost to get into TV is Rp250m. If you have only 20 to 30 per cent of your sales in Jakarta, that means about Rp1bn in product support. How many companies in Indonesia have such a market? You come up with just a handful."

Many advertisers appear to be holding fire. However, Mr Langlois said 20 per cent of available space had been sold within the first three months and he pointed out: "How can Coca-Cola afford to sit back if Pepsi is already advertising?"

It is not just the complacency of larger brands that is likely to be shaken up. Advertising will also provide smaller brand names with a vehicle for accelerating growth.

More broadly, the lifting of the ban is likely to stimulate competition, in a market long strangled by monopolies and by trade and business licences.

Rajawali's monopoly of the commercial airwaves is perhaps the one area not to be touched. Zenith has given the company marketing rights on its decoder in Indonesia and is discussing terms whereby Rajawali would provide assembly for sales throughout the region.

When you consider the costs of the alternative cable technology, Rajawali would appear to have dug itself into an impregnable position. Mr Gontha, with just the hint of a smile, said: "We definitely have no objection to competition but this is a commercial decision. You lock yourself in where you have manoeuvrability and leverage over the others. That's the advantage when you start first."

HK changes listings rules

By Michael Marray in Hong Kong

HONG KONG securities regulators yesterday announced changes to the rules governing listed companies, as part of the continuing clean-up campaign on the local stock market.

Nine dormant companies have been given six months to reactivate their businesses or have their listings cancelled.

Some of the nine have not traded for as long as 10 years, and their removal will prevent them being used as shell companies for new listings.

In addition, following controversy last year over a rush of applications to issua shares with preferential voting rights, it was also announced that no new B shares or similar issues would be permitted.

Companies which already have B shares, such as Swire Pacific whose two-tier share structure dates from the early 1970s, will be allowed to issue further B shares only in the form of bonus issues or scrip dividends.

In flotations, companies will no longer be alloted a place in a queue but will be left to decide on timing themselves once a listing is approved.

INTERNATIONAL COMPANIES AND FINANCE

APV and Klöckner clash in battle of the bottle

By David Goodhart in Bonn

THE FUTURE shape of the world bottle-filling machinery industry hangs on the outcome of a complex cross-border takeover dispute between two former partners, Klöckner-Werke, the West German steel and capital goods group, and APV, the UK-based leader in food-processing machinery.

The industry is dominated by four companies and for the past six years Klöckner has been trying to merge two of them, Holstein and Kappert (H&K), a wholly owned subsidiary, and another German firm Seitz Enzinger Noll (SEN) in which it holds 50.01 per cent.

APV has infuriated Klöckner by taking a 40 per cent stake in SEN, thus blocking the merger.

That 40 per cent stake plus support for APV from senior figures on the SEN supervisory board has persuaded the board to withdraw its previous approval of merger with its old bottle-filling rival H&K. And a formal offer for most of Klöckner's stake will now be made by APV in the next few days.

Although Klöckner last year suffered a write-down because of steel difficulties, and could thus make good use of the roughly DM50m ($27m) that APV will offer for the loss-making SEN, it is unlikely to accept.

Pride as well as profit is at stake. It is very unusual in Germany for a majority shareholder to be rebuffed by a supervisory board and an affronted Klöckner is now applying to the courts for permission to call an extraordinary shareholders meeting to oust most of the existing board.

However, even if Klöckner does replace the board APV can indefinitely block a merger as long as it hangs on to more than 25 per cent.

The danger for APV, in the event of continuing stalemate, is that Klöckner will try to strip SEN of markets and technology and will also make trouble in a long-standing joint venture between the two companies, Ecosista, which makes bottle fittings.

Sir Ronald McIntosh, chairman of APV, said yesterday: "We don't believe that the banks would allow Klöckner to destroy the company." However, some long-standing SEN customers are starting to review orders, worried that the company may not exist for much longer.

When Klöckner first took a 24.9 per cent stake in SEN (with an option to go over 50 per cent) in 1982, the logic of merger lay in H&K's dominance in the West and SEN's in the East, and the fact that SEN worked through agents while H&K had its own manufacturing and sales force around the world.

The deal was, however, blocked by the German Cartel Office until 1986 when SEN moved into loss and Klöckner was able to argue that it would save jobs.

Klöckner then took its stake to 50.01 per cent but found full merger blocked by one recalcitrant shareholder, Mr Norbert Kind, with whom the company is still battling in the courts.

APV, which has long been looking for a bottle-filling company to complete its food processing portfolio, claims it was offered an option on the Klöckner staka in SEN which it refused because it was then more intarested in bnying H&K.

APV then changed its mind about SEN because of its strength in non-carbonated drinks, the reorganisation potential, and its lack of a sales network.

But APV insists that if it wins SEN redundancies will not be required. Mr Fred Smith, chief executive, said yesterday: "We will return SEN to profit and increase employment without having to take business from H&K." (SEN last year lost about DM10m on a turnover just under DM400m and H&K had sales of DM420m and profit of about DM25m).

But, by the time APV had changed its mind, Klöckner had gone off the idea of selling the SEN stake, so APV began to sound out the large minority shareholders some of whom were becoming impatient with the Klöckner stalemate and the suggestion that 800 jobs might have to go at SEN.

And in June APV's generous offer of DM164 a share (more than DM50m above the then market price) was accepted by three shareholders, the Seitz family (15 per cent), the Badische Kommunale Landesbank (10 per cent) and the Württembergische Hofkammer (10 per cent).

APV now claims to have the Cartel Office on its side, says it has received a sympathetic hearing from Klöckner's main banks, and points to the fact that Klöckner has made no attempt to increase its own stake in the past few weeks. Klöckner maintains that its merger strategy lives on and claims to be optimistic about a favourable outcome soon in its battle with Mr Kind.

Aker faces NKr250m write-offs

By Karen Fossli in Oslo

AKER, ONE of Norway's largest industrial groups, said yesterday it was facing write-offs on year-end accounts of at least NKr250m ($36.3m) due to "under-estimation of the scope and complexity" of work for a NKr3.5bn contract.

The contract is to build and mechanically outfit the concrete substructure of an off-shore platform for Statoil, the Norwegian state oil company.

Problems with the work, which rest solely with mechanical outfitting of the platform substructure, emerged about a month ago.

This part of the contract is worth about NKr1bn, but Aker estimates that an between 400,000 and 500,000 extra man hours will have to spent on it, of which 100,000 is attributed to engineering work.

The work had been intended to last about three years, and is scheduled to be completed by the end of December.

The Gullfaks C platform is the largest and most complex platform to be placed in a Norwegian offshore field.

Aker said group earnings were expected to be about NKr400m this year. For the first four months group sales reached NKr5.235bn. Profits were NKr157m.

The construction division, which is handling the Gullfaks C platform work, had sales in the first four month period of NKr1.571bn, or between 20 and 25 per cent

Aker last undertook this type of work in 1978 when it mechanically outfitted tha Statfjord A offshore concrete platform for its then operator, Mobil Exploration.

Esselte office supply group bids for rival

By Sara Webb in Stockholm

ESSELTE, the Swedish office automation and supplies group, is bidding for the outstanding shares in Enström, a domestic rival in the office equipment arena, with an offer which values Enström at about SKr450m ($70.3m).

Enström is one of the leading office equipment suppliers in Sweden and had sales of SKr456m and profits (after financial items) of SKr17.3m last year. It expects sales to climb to SKr900m in 1988, helped by recent acquisitions on the wholesale and distribution side.

Esselte said the acquisition would add products to its existing office supplies and equipment business such as computers, telefax machines and typewriters, and would fit into its information systems and media division (ISM).

ISM imports office equipment such as telefaxes, copiers and computers from the main Far Eastern manufacturers for distribution in the Nordic region. It has previously pinpointed the PC business as one of the areas with greatest potential for growth.

"The acquisition of Enström will help to strengthen our position in Sweden," said Mr Raoul Waldenor, a senior group executive.

Esselte already owned 25 per cent of the share capital and 14 per cent of the votes in Enström, but has boosted its shareholding to 82 per cent of the capital and 89 per cent of the votes as a result of agreements this week to buy substantial shareholdings from the Enström family, Trygg-Hansa (the insurance group), Mobilia and the Savings Bank share fund.

Esselte made profits (before appropriations and taxes) of SKr791m on sales of SKr12.8bn last year and has forecast a 10 per cent rise in sales for 1988 combinad with a faster increase in profits.

Glaverbel sales up 20%

By Tim Dickson in Brussels

GLAVERBEL, the leading producer of flat glass in the Benelux countries, yesterday confirmed forecasts made in May by announcing a "more than 20 per cent" rise in consolidated sales to BFr12.2bn ($315m) for the first six months of 1988.

Consolidated net income rose to BFr1.26bn and consolidated cash flow (net earnings, plus depreciation bnt exclnding amortisation of capitalised personnel-related and research costs) reached BFr2.24bn. In neither case did the company disclose a comparative figure.

The results, which inclnde first time contributions from glass bead manufacturer Cataphote of the US and Ilved-Glaverbel of Italy, "were attained in a favourable economic climate in Europe and are based on a renewed and increasing demand for glass in comparison with 1987."

Pirelli SpA advances to L70bn

By Alan Friedman in Milan

PIRELLI SpA, the Italian holding company that controls 80 per cent of the Pirelli tyre and cable group, yesterday unveiled an 11.6 per cent rise in net profit to L70bn ($50.7m) for the year ended June 30.

For the second year running Pirelli is leaving its proposed dividend payout unchanged at L100 per ordinary share and L120 per savings share. The payout totals L55.6bn against L47.1bn because of an increase in the number of issued shares.

The Milan-based Pirelli SpA, under a complex share structure, is part of the overall group. At the group level the only comments yesterday were that sales and profits improved in the first half of 1988.

Last year the *Pirelli group* produced an "aggregate" calendar year total sales figure of $5.6bn.

As a result of a share restructuring in spring the company is promising to publish its first consolidated balance sheet for 1988.

INTERNATIONAL APPOINTMENTS

Chairman designate at Chevron

THE BOARD of directors of Chevron, fourth-largest US oil group, has elected as the next chairman and chief executive officer Mr Kenneth T. Derr, currently a vice chairman.

Also serving as a vice chairman is *Mr J. Dennis Bonney*, aged 57. Mr Derr, 52, who headed the implementation of the largest corporate merger in American history, will succeed Mr George M. Keller on his retirement at the end of the year at the age of 65.

Mr Keller will have completed seven-and-a-half years as Chevrou chairman and a distinguished 40-year career with the company. Mr Derr became vice chairman in October, 1985, after spending a year-and-a-half overseeing the integration of the San Francisco-based Chevron and the Pittsburgh, Pennsylvania-based Gulf oil giant.

Prior to the merger, Mr Derr had been president since 1979 of Chevron USA, principal domestic oil and gas subsidiary of Chevron Corporation, which changed its name in 1984 from Standard Oil Company of California to identify the group with its Chevron hallmark. He joined the group in 1960.

In 1972, at the age of 36, Mr Derr became the youngest-ever vice president of the parent company.

Mr Keller joined the group in 1948 as a design and construction engineer. He spent a great deal of his career working in the company's foraign operations, and was made a vice president of the corporation in 1969, a director in 1970, vice chairman in 1974 and chairman to May, 1981.

★ ★ ★

NCR, a major US manufacturer of compnters and business machines, has appointed as a director Mr John F. Woodhouse, who heads SYSCO Corporation as president, chief executive and chairman.

Mr Woodhouse, 57, joined SYSCO as chief financial officer on its formation in 1969. SYSCO, with headquarters in Houston, Texas, is a leading US foodservice marketing and distribution company, with sales of around $4.4bn for the fiscal year to mid-1988.

Active in ednational and business organisation, Mr Woodhouse is vice chairman of the Wesleyan University board of trustees and a director of First Republic Bank, Houston.

Mr Charles E. Exley Jr, NCR chairman and chief executive, said: "John Woodhouse brings an *outstanding* business background and record of accomplishment to NCR. His acumen and management experience will be a great benefit to our company in the years ahead."

The appointment, effective from September 1, brings to 13 the number serving on the NCR board. A vacancy was created in April through the retirement of board member Mr Charles A. Anderson.

★ ★ ★

XEROX, the diversified US group with principal business in reprographics and financial services, announced the appointment of Dr Frederick Hewitt as vice president, logistics and asset management.

Dr Hewitt will also assume responsibility for the Xerox Mnltinational Inventory Optimisation Conncil and serve as a member of the Corporate Information Management Board.

His role will be to develop integrated asset-management and logistics strategies and processes within Xerox worldwide. This will also include improving the utilisation of the Xerox asset base while optimising customer satisfaction.

Dr Hewitt, previously director, customer service operations, at Rank Xerox, the group's UK affiliate, based at Marlow, England, will now also be based at Xerox, New York.

★ ★ ★

ROYAL Insurance, the biggest UK-based non-life insurer, will *have a new chief for its US* operations from the beginning of next year.

Mr George W. Ansbro, chairman and chief executive of Royal Insurance USA, and also president and chief executive of Royal Group Inc., its US parent, has announced his intention to retire at the end of 1988.

His successor will be Mr William E. Buckley, president and chief operating officer of Royal USA's general insurance operating companies.

★ ★ ★

CONTINENTAL Illinois National Bank and Trust of Chicago, known as Continental Bank, appointed Mr Andrew Cruickshank and Mr Robert Alfred as vice presidents at the bank's London branch.

Mr Cruickshank, formerly with Orion Royal Bank, will head the UK and European trading and sales of derivative interest rate products.

Mr Alfred, formerly with Goldman Sachs in London, will be in charge of the US Government sales desk covering the UK, Europe and Middle East.

★ ★ ★

US pharmaceuticals group Merck has named Mr John E. Lyons vice chairman. He retains his responsibilities as vice president.

INTERNATIONAL COMPANY NEWS

P&O profits cruise along to £112m

By David Waller in London

THE COST to Peninsular and Oriental Steam Navigation of the six month ferry strike at Dover was £25m ($42m); the company revealed yesterday as it announced its interim figures.

These showed a 30 per cent increase in profits, before tax and exceptional items, to £131.7m. After taking £20m of the strike cost in the first-half, pre-tax profits rose from £101.1m to £111.7m.

Although the figures were ahead of brokers' expectations, P&O's share price eased 2p to close at 534p.

Sir Jeffrey Sterling, P&O chairman, said it had been worth fighting the strike, not only because of the cost-savings it forced through, but because it had brought about a "quantum leap" in the way management approached the business.

He said all ferries were back in operation, with freight traffic returned to pre-strike levels. About 1m passengers travelled on the ferries last month, compared with 1.3m in the same month last year.

Sir Jeffrey complained that the strike had distracted attention from the other parts of the company's business.

Bovis Homes, the company's housebuilding subsidiary, made an "outstanding contribution" in the first half, and the group's construction and development helped that division improve first half profits from £33.3m to £49.9m.

Overall, operating profits climbed from £124.6m to £155.6m on turnover up from £1.20bn to £1.46bn. Service businesses, including P&O harbours and the exhibition centres at Earl's Court and Olympia, made £49.9m in the first half, an increase of £16.6m.

Sir Jeffrey Sterling: "worth fighting strike"

Extraordinary items amounted to a net £29.7m, including realised profits on the sale of properties of £35.8m.

Sir Jeffrey acted to dampen speculation that the company is planning a rights issue to finance the purchase of Taylor Woodrow, the construction and property group in which P&O has accumulated a 10 per cent stake in recent months.

"We're not going to sprinkle confetti over the market with our paper," he said.

Earnings per share, before the exceptional item is taken into account, rose from 17.2p to 21.6p; after the cost of the strike, they added 0.9p to 18.1p. The interim dividend was raised from 9p to 10.5p.

Lex, Page 16

Canadian expansion for Dutch insurer

NATIONALE-Nederlanden, the leading Dutch insurer, is to buy the entire capital stock of Mony Life Insurance of Canada for an undisclosed price, AP-DJ reports from The Hague.

Nat-Ned said completion of the acquisition of Toronto-based Mony from Mutual Life Insurance of New York is subject to the approval of regulatory authorities.

"North America is one of our most important target areas for growth" explained Mr AJ Debets, general manager of Nat-Ned's international division.

The Dutch insurer has annual world revenue of over Fl 17bn ($8.2bn) and generates about Fl 3.2 bn, around 19 per cent of total world revenues, from operations in North America. The company said Mony Life will add about C$179m (US$145m) a year of net premium income to that total. About 53 per cent of Nat-Ned's business is derived from the Netherlands.

The Canadian acquisition is primarily a life insurance and financial services group with C$434m of assets and C$42m of capital and surplus.

Nat-Ned expects that Mony's life insurance and financial services products will complement those of its existing Canadian businesses, which include Toronto-based Halifax Insurance and Western Union Insurance of Calgary. In North America, the lion's share of Nat-Ned revenue comes from the several US insurance and investment subsidiaries.

Meyer counterbids for Travis

By Clay Harris in London

MEYER International, the UK and builders' merchant, yesterday challenged the proposed merger of two of its smaller competitors by launching a rival £176m ($299m) cash takeover bid for Travis & Arnold.

On Monday, Travis and Sandell Perkins, another builders' merchant, had recommended a merger which was carefully balanced to give equal roles to each company's management. At yesterday's prices, Sandell's share offer valued Travis at £144m, taking into account a planned special dividend.

Mr Oscar DeVille, Meyer chairman, said a combination of Travis with his group's 170-branch Jewson chain would create the largest trade-oriented builders' merchant in the UK, with a market share of more than 13 per cent. Its regional coverage would be wider than that proposed by the Sandell-Travis link.

Meyer had unsuccessfully approached Travis several times, Mr DeVille said. It bid yesterday because "we now know that they don't want to stay independent, having previously indicated they wanted to remain so."

Travis dismissed the Meyer bid as a "panic-stricken attempt to sabotage the merger" and said the 39 per cent stake controlled by family and directors was still irrevocably committed to the Sandell offer.

Mr Tim Perkins, Sandell Perkins chairman, similarly described Meyer's move as "a mischievous attempt to obstruct the creation of a powerful new group which will prove a major competitor to Meyer in the building supplies industry."

Sandell would find it difficult to increase its offer in a way which keeps the deal as a merger. It stressed yesterday that its bid did not include a premium for control changing hands.

Meyer's terms value Travis at only 18 times prospective earnings for 1988, leaving the way open for other companies to enter the fray.

Meyer's cash bid, with a loan note alternative, will be financed by increased bank borrowings.

Travis shares jumped 137p to 505p, compared with Meyer's 500p cash terms and the 409.6p value of Sandell's offer. Sandell shares added 28p to 246p, but Meyer slipped 10p to 369p. Meyer is advised by Lazard Brothers.

British Steel plans £75m investment

By Anthony Moreton, Welsh Correspondent

BRITISH STEEL is to spend £75m ($127m) on a second continuous slab-casting plant at Port Talbot in South Wales. The line is expected to be on stream by 1991.

The UK nationalised corporation, which became a public limited company on September 6 as a preliminary step towards privatisation later this year, has spent £650m on new machinery at the works over the last 10 years.

The plant, one of the five integrated mills in Britain, is now working at 100 per cent of manned capacity, according to Mr Peter Allen, managing director of the strip mills division, and output has reached 2.3m tonnes a year.

The new investment will not only raise output but will also help to meet the growing demand for fully cast strip steel, a process that is increasingly taking the place of ingots. The capital-intensive machinery will lead to a few extra jobs, probably around 70, a small number in the 4,600 employed at the works.

Port Talbot has a good record with its existing concast line. Last year it broke world records, turning out almost 21 miles of slab over a 14-day uninterrupted production run.

The choice of Port Talbot for the new investment will be seen in Scotland as a further blow to the future of Ravenscraig. Outside observers have forecast that a privatised steel company will have little need of three integrated strip mills – Llanwern in Newport is the other – and that one, almost certainly Ravenscraig, would go.

Sir Robert Scholey, BSC chairman, drew attention, however, to his assurance made last December that, "subject to market conditions," continuous casting at all five integrated mills would continue at least until the end of 1994.

UK truck group to boost production

By John Griffiths in London

ERF, the UK independent heavy truck maker, is setting up a second production facility in order to increase output further from January. Only three weeks ago ERF raised production rates to the highest in the company's history.

The new plant, on part of ERF's 15-acre engineering design and service site at Middlewich, Cheshire, will lift ERF's total production rate to 25 units a day, or around 5,000 units a year, when it comes fully on stream next year.

During the truck market recession in the early 1980s, ERF was producing 16 trucks a week, or about 650 a year.

Merck AG jumps 46%

By Our Financial Staff

MERCK AG, the Swiss holding company for the most important foreign interests of West Germany's E Merck pharmaceuticals group, yesterday reported a 46 per cent rise in profits for the first-half of calendar 1988 from SFr38m to SFr55m ($35.2m).

By the end of August sales had grown 12.6 per cent to SFr1.09bn, according to Dr Hans Joachim Langmann, president and delegate of the board. The increase in sales was especially marked in North America.

Ascom forecasts turnover to rise 10% for year

By John Wicks in Zurich

ASCOM, the Swiss communications-technology group, expects its turnover and order volume to rise by some 10 per cent this year after "gratifying" first-half results.

Sales amounted to SFr1.07bn ($690m) in the first six months of 1988, or 15.2 per cent higher than the figure for the same period last year.

New orders increased 13.2 per cent to SFr1.12bn. Earnings are said to have met expectations.

Ascom, formed last year by the merger of a group of companies including Hasler, Autophon and Zellweger Telecommunications, had consolidated turnover in 1987 of SFr2.15bn and booked SFr2.19bn worth of orders, both figures having been rather higher than target levels.

Group earnings were SFr40.8m for the year or slightly below what had been expected.

For the business year ended June 30, the Berne-based parent company, Ascom Holding, has proposed dividends of SFr60 per share and SFr12 per participation certificate from profits of SFr25.5m.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Brazil tackles debt conundrum

Ivo Dawnay on official efforts to boost demand for equity swaps

Brazil's foreign debt conversion programme may not be quite as exciting as its more aggressive salesmen are claiming in the banking boardrooms of New York, London and Tokyo.

But after nearly six months of the new system, demand for swaps is holding up, the central bank's administration is universally praised as exemplary, and political opposition appears to have subsided.

This is good news for Brazil which, since the 1982 debt crisis broke, has seen capital flows from abroad slump from an annual surplus of $1.8bn in the 1970s to a deficit in 1986 as repatriation of dividends and remittances outpaced new loans by $500m.

Latest year-end estimates project formal conversions through the new auction system to near their ceiling of $1.8bn, while the informal market could add between $2bn and $3bn more.

This scale of business may seem puny when viewed alongside the $68bn in commercial bank debt available for conversion. But already warnings are being been sounded over the impact of the programme on Brazil's already swollen monetary base, and consequently for inflation, currently running above 20 per cent a month.

The 1988 trade surplus is expected to top $16bn, so attributing undue pressure on the money supply to the conversion programme is perhaps unjust. Mexico, however, says it has halted its own scheme for just that reason.

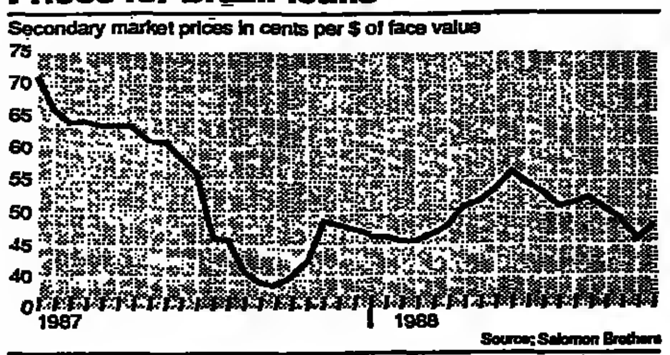
Mr Elmo de Araujo Camoes, Brazil's pragmatic central bank president, said recently that while the monetary aspects were being constantly monitored this issue was of no major concern at present.

Under the current conversion scheme, $150m of Brazilian debt is auctioned each month, half of it reserved for the priority development areas of the North-East and Amazon. Banks may convert their credits and interest, frozen on maturity in central bank accounts, into existing or new companies or conversion funds at a discount fixed by the auctioning process.

Conversions cannot be used to take majority control of Brazilian companies, and converted credits must remain in Brazil for 12 years. Remittances of profits and dividends are subject to a tax which, in effect, limits outflows to 12 per cent of capital employed.

Prices for Brazil loans

Secondary market prices in cents per $ of face value



Source: Salomon Brothers

The performance of this framework has surprised the sceptics. The opening two auctions, which saw discounts of 28 per cent and 32 per cent in the free area, served to stifle political opposition. Subsequently discounts have fluctuated sharply.

"We were particularly pleased that the central bank did not try to alter the rules when inadequate take up for the development sector dropped the discount to a minimum one half per cent," said Mr Kenneth Baxter, corporate finance director of Bozano Simonsen, the most active Brazilian investment bank. "That gave confidence to the market."

The auctions are already developing a number of set patterns. Foreign banks now actively searching for equity stakes tend to seek Brazilian companies that are outperforming the national economy, often with export products of an easy-to-understand kind where Brazil's comparative advantages are well-established. Pulp and paper and petro-chemicals are favourites.

What is also clear is that the large international money centre banks — previously hesitant about entering the market on their own accounts for fear that discounts would "contaminate" their large exposures — are now ready to take part.

The first signal came when Manufacturers Hanover, in a succession of auctions, bid on its own account to buy a stake in Suzano Papel, a cellulose group. The deal cost the bank $93.2m of debt for just under $80m-worth of equity — an average discount of around 14 per cent. The Manufacturers Hanover move appears to have broken the reticence of some its rivals.

The recent visit of Mr John Reed of Citibank has fuelled reports that Brazil's largest single creditor is now ready for direct entry into the debt conversion market. Citibank already acts as a big conversions broker, Chase Manhattan is publicly committed to debt-for-equity swaps on its own account.

But while the auctions have attracted widespread interest, the bulk of the conversion business is still going on in the more shadowy informal market where formulae for conversion can, and frequently do, involve a cruzado-dollar exchange rate that has frequently shown a premium of more than 40 per cent over officially quoted figures.

Informal conversions, where creditors choose to receive their matured debts in local currency, rather than in central bank held dollar accounts, have various advantages.

For the Brazilian authorities, they wipe out once and for all an outstanding hard currency debt without incurring new profit remittance rights. The most desirable form of deal for Brazil is where the creditor simply uses the cruzados to reinvest in, say, new plant or raw materials.

But there seems little doubt that the bulk of informal conversions are being used for two main purposes. In one case, creditors simply take "a hit" to reduce their exposure by accepting the highly discounted parallel rate as a means of withdrawing from Brazil.

Alternatively, creditors will do the so-called "bicycle" round-tripping their money through the parallel market abroad, then repatriating it to Brazil by buying new replacement debt in the cheaper secondary market. Current figures suggest that the round-trip can liberate a dollar at 70 cents against less than 50 cents in the secondary market.

Such manoeuvres are legitimate, but they go against the spirit of the regulations and the Brazilian Government is trying to make such operations traceable. There are continuing concerns among the authorities that the informal market is putting unacceptable upward pressure both on the parallel market exchange rate and the money supply — thereby fuelling inflationary pressures.

Latest guesstimates suggest that informal conversions are are running at about $50m a month, perhaps not enough to warrant an outright ban. Nevertheless, it is clear that the central bank is attempting to crack the whip where it can.

In the final analysis, refinements to the conversion programme are still needed. Efforts to boost the stock market with conversion funds, for example, have foundered with less than $10m in commitments. This could be reversed with less rigorous taxation and faster redemption rights. Another step being mooted by officials is special rights, perhaps based on mean discount rates, for large scale conversions — say over $100m — that cannot be handled by auctions.

By and large the conversion rules appear to be working well. For creditor banks hesitating on the brink, the key consideration is one of interest versus dividends and a subjective judgment, with an eye to shareholders, as to what really is "asset enhancement".

One cynical British investment banker suggested recently: "It is the privatisation of debt. A way for the banks to lose their money gracefully." Others are more genuinely enthusiastic.

As Mr Baxter put it: "There is now fresh money coming in to this country from institutional investors taking a longer term view. Over the longer term the Brazilian stock market is undervalued — it's worth a flutter."

Treasury to auction Ecu bills next month

By Simon Holberton, Economics Staff

THE BANK of England yesterday said that it would hold the first tender of Treasury bills denominated in European currency units on October 11, although it left open the amount that would be offered.

In a formal document setting out the procedures for bidding, the Bank disclosed that 29 institutions had given undertakings to make markets in the Ecu bills.

They include the leading London and Scottish clearing banks, discount houses and merchant banks, large European banks and main non-European securities houses.

On August 2, Mr Nigel Lawson, the Chancellor, announced plans to establish a market in Ecu bills backed by the Treasury. It was planned that the amount of Ecu bills outstanding after the initial start-up period would be Ecu1bn to Ecu2bn.

The official line was that this decision represented a practical step towards the development of the Ecu as a financial instrument and the furtherance of closer EC co-operation in monetary affairs.

It also provided the Bank with additional flexibility in managing Britain's foreign exchange assets and liabilities and, it was hoped, help London to develop as a leading financial centre for the Ecu.

The Bank is keen that a healthy secondary market be established for the trading of the bills. The 29 dealers have agreed to make an active secondary market in the bills and to participate in the monthly tenders.

To assist the market the Bank undertakes to buy back bills from the market makers, although at a price below the prevailing market level, and, if it wishes to supply stock to the market, to deal only through the market makers.

The Bank will decide on the size of the first tender after consultations with the market markers who, it hopes, will have tested investor demand for the paper.

The Bank expects European central banks, international investment houses and the market makers to be the main holders of the bills.

It regards the development of the Ecu market as a long-term venture. As with the sterling commercial paper market, the Bank believes it will take time for the Ecu bill market to develop and is prepared to give it that time. It plans to review progress after six months.

Tenders for Ecu bills will be held on the second Tuesday of every month and that the amount to be offered would be announced in the press at least four business days before that date.

Participants in the tenders, which are open to anyone, are required to bid on a "bid-yield" basis, that is, at a yield they wish to achieve over the life of the bill on offer. They would pay the discounted price implicit in that bid. The bills are free of withholding tax.

The Bank believes it will achieve yields less than the London inter-bank bid rate (Libid) but that through time pricing will improve.

Tenders must be for a minimum of Ecu500,000 and in multiples of Ecu100,000 thereafter. There is no provision for non-competitive bids.

The Bank reserves the right to limit the amount any one participant can buy at tender as it does the right not to allot all bills offered.

The Ecu bills can be registered with the Bank acting as a common depositary for Euro-Clear and Cedel, or in bearer form. Bearer bills will be in denominations of Ecu100,000, Ecu500,000, and Ecu1m.

IPMA defers action on UBS Merrill dispute

By Our Euromarkets Staff

THE INTERNATIONAL Primary Markets Association's market practices committee has put off taking any final action on the dispute between Merrill Lynch and UBS Securities, saying the matter should be put before the trade association's full board when it meets on October 7.

The group met yesterday to decide what action, if any, should be taken following Merrill Lynch's decision to launch a $50m bond issue for Royal TrustCo, which was intended to be identical to and interchangeable with an earlier Eurobond launched by UBS.

Members of the committee were said to have been highly irritated by the press coverage and decided to make no comments about the matter until the entire board considers the issue.

US trade data underpin demand for dollar issues

By Dominique Jackson

THE NEWS that the US July trade deficit fell to its lowest level for almost four years provided the Eurobond market with an immediate fillip yesterday, boosting secondary market prices and prompting two more new dollar straight issues, taking the total so far this week to five.

Seasoned bonds in most sectors of the market firmed in line with the substantial gains initially posted by the US Treasury bond market on the news. However, although dollar-denominated bonds finished the day well up, UK gilts and Eurosterling fell back somewhat as the pound slipped on the foreign exchanges.

Several syndicate teams were waiting for a favourable trade report before bringing a clutch of respected borrowers to the dollar straight sector, although only one house eventually moved yesterday.

Morgan Stanley International took advantage of the markedly improved tone to bring two dollar deals. These were a $200m five-year issue for General Motors Acceptance Corporation Canada which carried a 9¼ per cent coupon and was priced at 101¼, and a $200m seven-year deal for Finnish Export Credit at 9¾ per cent and 101½.

According to the lead manager, both issues saw brisk, widespread demand and would be swiftly placed. Both deals closed the day bid at a discount equal to their total fees.

In equity linked deals, Daiwa Europe formally issued the Mitsubishi Electric warrant bond which had been commanding an attractive premium in the grey market before its official launch. The $300m four-year deal carries an indicated coupon of 5 per cent, reflecting favourable investor perceptions of the borrower which drove the grey market price to as high as 107 earlier this week. This was one of the highest premiums on a Japanese equity warrant deal since the overnight crisis earlier this year. It closed bid at 105.

Yamaichi International was the lead manager on a $50m

INTERNATIONAL BONDS

warrant deal for Ichikoh Industries. The coupon on the four-year issue was indicated at 5¾ per cent, reflecting both the rank of the company and the smaller size of the issue in line with the variable scale of coupons recently introduced in the sector.

One Australian dollar deal also emerged yesterday, a A$60m issue at 13¼ per cent and 101¼ for Barclays Australia Finance, guaranteed by its parent Barclays Bank, via BZW. The issue saw such demand it was soon increased to a total of A$60m from an original amount of A$50m.

Norinchukin International led a $100m seven-year deal for Norway's Eksportfinans which is priced at 55.55 per cent.

There were no new issues in West Germany, although secondary market prices rose in line with Treasuries. Sentiment was also buoyed by the Bundesbank's repurchase tender when it generously added DM12.6bn in liquidity to the market after DM4.1bn was drained, bringing short-term money market rates down marginally. Bond prices eased towards the end of the day but government issues and Eurobonds finished the day with net gains of around 40 basis points and 15 basis points respectively.

In Switzerland, a five-year SFr100m issue emerged for Bond Finance, backed by Bond Corporation of Australia. S.G. Warburg Soditic is the book runner on the deal and joint lead manager together with Banque Paribas Suisse and Shearson Lehman Hutton.

Swiss Bank Corporation led a SFr100m five-year convertible with a ½ per cent indicated coupon for Taio Paper while J. Henry Schroder Bank led a SFr35m 5½-year convertible with the same coupon for Fuji Machine.

● Bulgari, the Italian family jewellery business, tapped the international capital markets for the first time with a SFr30m issue for Bulgari International. The proceeds are to refinance short-term debt which is being used to buy back the company's franchises in Geneva, Paris and Monte Carlo. The issue was also the first for Drexel Burnham Lambert's Swiss operation which started up late last year. It was well bid at a discount of 1.

BTI bond syndication manager resigns

By Our Euromarkets Staff

MR JED SMITH, manager of Bankers Trust International's Eurobond syndication, has resigned after six months with the company. He had previously been head of Eurobond syndication at Prudential-Bache Securities.

Mr Jean-Christian Cheysson, managing director in charge of capital markets, will take over responsibility for BTI's Eurobond syndication in a move designed to integrate the two units more closely. Separately, Mr Peter Warnerdan, head of Eurobond sales, has been transferred to the bank's New York office.

"These changes are designed to strengthen BTI's involvement in the Eurobond business," the company said.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on September 14

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	†93¾	94¼	0	−0⅛	9.60
All Nippon Air 9⅛ 97	100	†95	95½	0	+0⅜	10.21
Amer. Brands 8¾ 92	150	†97¾	98¼	0	+0⅜	9.50
A/S Eksportfinans 7⅝ 93	100	†93¾	94¼	0	+0¼	9.10
A/S Eksportfinans 7¼ 92	150	†94	94½	0	+0⅜	9.29
Barc. Bk. Fin. 10¼ 89	200	†100½	101	0	+0⅜	9.51
B.F.C.E. 7 92	150	93⅞	94⅛	+0½	+0¼	9.03
British Telecom 7⅝ 96	250	90⅛	90⅝	+0¼	+0⅞	9.38
Cal.Natl.Telecom 8½ 93	160	†98¼	98¾	0	+0⅜	8.90
Canada 9 96	1000	†99¾	100¼	+0⅛	+1	8.98
Canadian Pac 10⅜ 93 £	100	†102	103	+0¼	+0¾	10.04
C.C.C.E 7¼ 91	113	†93¾	94¼	0	+0⅜	9.43
C.C.C.E 9¼ 95	300	99¾	100¼	+0½	+0¼	8.25
C.N.C.A 7¼ 91	150	†94¾	95¼	+0¼	+0¼	9.11
Credit Lyonnais 9 91	200	†100⅞	101	0	+0¼	8.55
Credit National 8¼ 93	200	†96¾	97¼	+0½	+0½	9.05
Credit National 7⅜ 92	100	94⅞	95⅞	+0¼	+0¼	8.99
Credit National 7¼ 91	150	†95½	96	0	+0¼	8.79
Denmark 7⅛ 92	500	†94¼	94¾	0	+0⅜	9.01
E.E.C. 7 91	100	94⅞	95¾	+0⅛	+0¼	8.83
E.E.C. 7¼ 93	250	93⅜	93⅞	+0¼	+0⅜	9.02
E.E.C. 8 90	350	†98¼	98⅝	−0⅛	0	8.88
E.I.B. 7⅛ 93	100	93⅞	94⅜	+0¼	+0⅛	8.06
E.I.B. 9⅛ 97	150	100⅛	100⅝	+0½	+0⅞	9.31
Elec.De France 9 98	200	96⅛	97¼	+0¼	+0⅜	9.48
Finland 7⅞ 97	200	90⅞	90⅞	+0¼	+0⅞	9.56
Finland 7½ 93	200	†93¾	94¼	0	+0¼	9.08
Finn.Exp.Cd. 8½ 92	200	98⅞	99⅜	+0⅛	+0½	8.81
Ford Motor Credit 8 91	250	98¼	98⅝	+0⅛	+0¼	8.71
Gen Elec Credit 10¼ 00	200	†100¼	100⅞	0	−0⅛	10.14
G.M.A.C. 8 89	250	100⅜	100⅛	+0⅜	+0¼	0.07
Halifax BS 9½ 93	200	†100⅛	100½	+0⅛	+0¼	9.38
Hoesch 8⅛ 97	100	†94¼	95	0	+0⅜	9.15
Italy 9 90	1000	101⅛	101⅛	+0⅛	+0⅜	8.23
L.T.C.B of Japan 8 91	100	†97⅞	98⅛	0	+0⅜	8.75
L.T.C.B of Japan 8 97	200	90⅛	90⅛	0	+0⅜	9.70
Mercds-Benz Cd. 8½ 95	100	†96¼	96¾	0	+0¼	9.22
Metropolis Tokyo 9½ 93	200	101⅛	101⅞	0	+0⅜	9.00
Morgan Guaranty Tst. 7 90	150	98⅛	98⅝	+0¼	+0⅜	8.15
Norway 8⅜ 93	500	99	99⅞	0	+0¼	0.97
Pepsico Inc 7⅞ 93	200	†93½	94	+0¼	+0½	9.06
Portugal 8¼ 91	500	†98⅞	99¼	0	+0⅞	8.67
Prudential Crp. 8⅞ 94	125	97⅞	98⅜	+0¼	+0¼	9.20
Qantas Airways 10⅜ 95	140	104⅜	105	+0¼	+0⅜	9.41
Saskatchewan 10⅛ 92	100	104⅜	105	+0⅛	+0⅛	9.09
State Bk S Aust 9¼ 93	100	99½	100⅛	+0¼	+0¼	9.29
Swed Exp Cred 7¼ 91	100	*†94⅞	94⅞	0	+0⅜	9.12
Swed Exp Cred 10 92	100	†102½	103	0	+0⅜	9.07
Sweden 7 91	250	95⅛	95⅝	+0¼	+0¼	8.78
Sweden 7 92	250	†93⅝	94⅛	0	+0⅜	9.14
Sweden 8⅜ 96	200	†96¾	97¼	+0¼	+0¼	9.30
Sweden 8½ 92	200	†98⅜	98⅞	+0¼	+0¼	8.92
Victorian Rep 11⅛ 92	150	106¼	107¼	+0⅛	+0¼	9.23
World Bank 7 92	300	*†94¼	94¾	0	+1	9.03
World Bank 9 97	300	90	98½	+0⅜	+0⅜	9.29
Yasuda Trust Fin 8½ 93	100	96½	97	0	+0¼	9.36

Average price change... On day +0⅛ on week +0½

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	100⅞	101⅛	+0⅛	+0½	5.75
Avis Fin.SVS 5⅞ 92	100	100	100½	0	0	5.78
Bank of Tokyo 5⅛ 93	100	99⅞	100⅞	0	0	5.71
Central BK. Turkey 7 92	200	102½	103	0	+0¼	6.21
Commerzbank o/s. 5⅛ 93	300	98⅛	98¼	+0¼	+0½	5.77
Degussa Int. 6⅜ 97	200	98⅜	98⅞	0	+0¼	6.33
E.I.B 5⅛ 98	150	96⅝	97	+0⅛	0	5.97
E.I.B 6 97	300	100	100⅛	+0⅛	+0⅛	5.95
E.I.B. 6⅛ 96	300	100⅞	101⅛	+0½	+0⅛	5.92
E.I.B. 6⅛ 97	400	100⅛	100⅛	0	−0¼	6.04
E.I.B. 6⅞ 95	300	104⅛	105⅛	+0¼	+0⅜	5.99
Euro.Coal & Steel 5⅞ 97	175	98½	99	0	0	6.06
Eurofima 6⅛ 96	100	101⅞	102½	−0⅛	0	5.90
Elec De France 5⅛ 97	300	97⅞	98⅜	−0⅛	+0⅛	6.08
Forsmark Krtg. 5⅛ 93	200	97¼	97⅛	0	+0⅛	5.77
I.A.D.B. 6 97	200	98⅛	99⅛	0	+0⅜	6.15
Japan Dev. Bk. 5⅛ 95	300	97	97⅜	0	0	5.86
Japan Finance 5⅛ 97	100	96⅛	96⅞	+0½	+0⅜	6.31
Ireland 6½ 97	300	99⅝	100	+0⅛	−0⅛	6.51
Korea Dev BK 6⅛ 93	100	100⅛	101⅛	0	+0½	6.33
Malaysia 6¼ 94	150	99⅞	100⅛	+0⅛	+0⅛	6.27
Nat. West BK. PLC 6 98	300	96⅛	97⅛	+0¼	+0½	6.46
Nippon Telg.&Tel. 6 95	400	100	100⅛	−0⅛	+0⅛	6.08
Oesters. Kontbk. 5 93	300	97½	98¼	+0⅛	−0⅛	5.55
Portugal 5⅛ 92	150	99⅞	100⅜	+0⅛	+0¼	5.67
Portugal 6⅛ 95	150	101⅛	102⅛	0	−0⅜	6.28
Privatbanken 5⅛ 93	150	96⅛	96⅞	+0⅛	+0⅛	6.13
Royal Insurance 5½ 92	300	99⅝	100⅛	−0⅛	+0⅛	5.33
Scc Cent Nuclear 7⅛ 95	150	103½	103⅞	0	+0⅛	6.59
Turkey 6½ 95	500	98	98½	0	+0⅛	6.83
Westlb. Finance 5 93	200	†97¼	98	0	0	5.34
World BK. 6⅛ 97	600	101	101⅛	+0⅛	+0½	5.96

Average price change... On day +0⅛ on week +0¼

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†101	101⅛	0	0	4.82
Asfinag 5 03	100	†100⅛	100⅞	0	−0⅛	4.95
B.F.C.E. 4½ 98	200	†97⅞	98	+0⅛	+0½	4.77
B.M.W.Fin.Neth. 5 13	150	†94½	94⅞	−0⅛	0	5.40
Britannia B/S. 4¼ 94	100	†97⅛	97¼	−0⅜	+0⅛	4.75
CIR. Int. W/W 3 93	125	†100⅛	101⅜	−0⅛	+0⅞	2.89
Credit Lyonnais 4¼ 00	100	†97½	97⅞	0	+0⅜	5.02
E.I.B 4⅞ 98	150	†99⅛	100	+0⅛	+0⅛	4.64
Fletcher Chall. 4⅞ 98	150	†96	96½	−0½	−0⅛	5.38
Kobe City 4⅛ 98	150	†98½	98⅞	−0⅛	−0⅛	4.80
Leeds Perm. B/S. 4⅛ 93	200	†98¼	98⅞	−0½	−0⅛	4.52
Malaysia 5⅛ 98	100	†98⅞	99	0	+0⅛	5.40
Maxwell Comm.Grp. 5 95	150	†102	102½	0	+0⅛	4.60
Nationwide Ang.B/S. 4 93	200	†96½	96⅞	0	+0⅛	4.81
Nippon Telg.&Tel. 4¼ 95	200	†99½	99⅞	0	+0⅛	4.31
Oesters.Ktbk. 5 03	75	†98½	100½	−0¼	−0⅜	5.05
Rep.National Bk. 4 93	150	†95⅛	96⅛	−0⅜	−0⅜	4.43
Thailand 4⅛ 95	200	†95	98½	0	+0⅛	5.47
World Bank 5 03	150	†98¼	98½	0	+0⅛	5.16

Average price change... On day −0⅛ on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	55	101	101¼	−0⅛	+0½	5.07
Belgium 4⅞ 94	45	96⅛	96⅜	−0¼	+0⅜	5.35
Canada 4⅞ 92	80	97⅝	97⅞	−0¼	+0¼	5.04
Elec. De France 5⅛ 94	20	99⅛	99½	−0¼	+0¼	5.28
Ireland 5⅛ 93	30	98⅞	99⅜	−0¼	+0¼	5.34
Norway 5⅛ 95	50	98½	98¾	−0¼	+0¼	5.37
Rep. of Italy 5⅛ 92	150	102¼	102½	0	+0¼	4.97
Sweden 4⅝ 93	50	97⅛	97⅞	−0¼	+0¼	5.17
World Bank 5⅛ 92	50	101⅞	102	−0¼	+0¼	4.97

Average price change... On day −0¼ on week +0¼

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. BS. 10¼ 93 £	50	97½	98⅛	+0¼	+0¼	10.88
Alg. Bk. Ned. 5⅛ 92 Fl	150	97½	98¼	0	0	6.24
Amro Bank 6¼ 92 Fl	150	100⅞	101⅞	+0⅛	+0¼	6.03
Aust. Ind. Dev. 12⅞ 93A$	100	98⅛	98⅞	−0⅛	−0¼	13.28
Barc. Bk. 10⅛ 97 £	250	94⅛	95⅛	+0¼	+0⅛	11.15
BP Capital 9⅛ 93 £	100	95⅛	96⅛	+0¼	+0¼	10.87
British Airways 10 98 £	100	92⅞	93⅞	+0¼	+0⅛	11.19
C.I.B.C. Mort. 10⅛ 93 C$	100	†99	99⅜	+0½	+0¼	10.93
Comm. Bk. Aust. 12⅛ 93A$	100	97	97½	−0⅛	−0⅛	13.40
Coop. Ctr. Rabo. 6⅛ 93 Fl	100	100⅛	100⅞	0	+0⅛	6.07
Coop. Ctr. Rabo. 6 92 Fl	200	100	100½	0	+0⅜	5.92
Denmark 7⅜ 92 ECU	100	†100½	101⅛	−0⅛	−0⅛	7.42
Dixons 11 95 £	90	†97½	98	+0¼	0	11.57
Deutsche Bank 9⅞ 97 £	75	†92⅞	93⅞	+0⅜	+0¼	11.14
Deut. Bk. Aust. 12¼ 95 A$	70	99	99⅛	−0⅛	−0⅛	12.88
E.I.B 10⅛ 98 C$	130	†97½	98	+0⅛	+0⅞	10.49
E.I.B 8⅞ 93 LF	10	100⅞	101⅞	0	0	8.25
Elec. France 10¼ 95 C$	125	†98¼	99⅛	+0½	+0⅞	10.44
Euratom 7⅞ 97 ECU	145	†96	96½	−0⅛	−0¼	7.98
Eurofima 7½ 92 Fl	50	†104⅛	105⅛	0	−0⅛	5.95
Fed. Bus. Dv. Bk. 9⅛ 92 C$	75	†98⅛	98⅞	+0⅛	+0⅛	10.22
Ford Cr. Can. 10⅛ 93 C$	100	†101	101⅛	+0⅜	+1⅛	10.34
Gillette Can. 9⅞ 93 £	70	92	92⅞	+0⅛	+0⅛	11.79
G.M.A.C. 9⅞ 93 C$	150	†96½	97	+0½	+0⅝	10.64
G.M.A.C. 9⅛ 92 C$	75	†94	95	0	0	11.12
G.M.A.C Aus. Fin. 14 90 A$	50	99⅛	100⅛	−0⅛	−0⅛	13.92
Halifax BS 10⅛ 97 £	100	95⅛	95½	+0⅛	+0¼	11.25
Imp Chem Inds 10 03 £	100	94⅛	94½	+0⅛	0	10.78
Inv. Industry Int. 10 93 £	60	96	96½	+0⅜	+0⅞	11.05
Lloyds Bank 10⅛ 98 £	150	93⅞	94⅞	+0⅜	+0⅛	11.31
Montreal Tst. 10⅛ 93 C$	100	†98⅞	99⅛	+0½	+1⅛	11.01
Mtge. Bk. Den. 6⅛ 91 Fl	100	100⅛	101	0	+0¼	6.39
Nat. West. Bk. 13⅛ 92 A$	50	†98	98½	−0⅜	−0¼	13.66
Nationwide BS 10⅛ 93 £	75	96⅛	96⅞	+0¼	+0⅛	11.11
Ned. Midd. Bank 6 92 Fl	150	99⅛	99⅞	0	0	6.15
New Zealand 9½ 93 £	100	94⅛	95	+0¼	+0⅛	10.97
New Zealand 7⅜ 93 ECU	200	†99⅛	100⅛	0	−0⅜	7.73
Oesters. Ktbk. 13⅛ 94 A$	75	101⅞	102	−0¼	−0¼	13.20
Prudential Fin. 9⅞ 07 £	150	87⅞	88⅛	+0⅛	0	10.91
Royal Bk. Scot. 10⅛ 90 £	125	95⅛	95⅛	+0¼	0	11.45
Saskatchewan 9⅞ 91 C$	150	†98⅛	99⅛	+0⅛	0	10.27
S.D.R. 7⅛ 95 ECU	90	†99⅛	99⅞	0	0	7.84
Wstd. Lb. Fin. 12½ 93 A$	50	†99	100	−0⅛	+0⅛	12.60
World Bank 5⅛ 92 Fl	100	99⅞	100	0	+0⅛	5.86
World Bank 13⅛ 92 A$	100	†100	100½	−0⅜	+0¼	13.25

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. 8Id 94 £	.08	99.28	99.33	21/01	10.99
Belgium 91 US	0	100.51	100.61	21/02	9
Britannia 5 93 £	0⅛	99.64	99.69	10/10	10.37
Chase Manhattan Crp. 91 US	0⅛	99.53	99.70	22/02	8.94
Citicorp 98 US	†0⅛	97.40	97.65	30/11	8.94
EEC 3 92 DM	†0	100.80	100.90	22/02	5.63
Halifax BS 94 £	.1	99.60	99.65	9/11	11.16
Invt. in Industry 94 £	0	99.88	99.98	24/02	11.87
Leeds Perm. B/S. 94 £	0⅛	99.88	99.93	13/01	10.44
Midland Bank 01 £	.1	94.87	95.87	11/02	11.41
Milk Mkt. Brd. 5 93 £	0⅛	99.78	99.83	30/09	10
New Zealand 5 97 £	.07	100.04	100.14	18/11	11.62
New Zealand 5 01 US	0	99.91	100.01	4/02	8.62
State Bk. Nsw. 98 US	.188	100.36	100.46	13/02	8.87
United Kingdom 5 92 US	*0	100.05	100.05	7/01	7.81
Woolwich Equit. BS. 93 £	0⅛	99.59	99.64	13/10	10.44
Woolwich 5 95 £	0⅛	99.55	99.60	21/11	11.62

Average price change... On day +0.01 on week +0.05

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	101⅞	102⅞	+0⅛	26.31
Alco Health 6¼ 01 US	†7/86	26.25	104	106	0	−2.02
Amer. Brands 7⅞ 02 US	9/87	56.7	98⅞	99⅞	+0¼	17.53
Ashikaga Bank 2⅛ 02 US	4/87	967.	122⅞	124⅞	−1½	−2.96
Asics 5 92 DM	12/83	472.7	197⅛	199	+0¼	6.73
CBS. Inc. 5 02 US	14/87	200.	91⅛	92½	+0⅛	10.59
Fujitsu 3 99 US	5/84	1106.	268⅛	269½	+0½	−1.66
Kinki-Sogo Bk. 2⅞ 03 US	4/88	1069.	126	127⅛	−0¼	0.48
Land Secs. 6⅛ 02 £	6/87	6.72	92⅛	93⅛	+0¼	12.76
MCA Inc 5½ 02 US	9/87	69.62	80⅞	81⅛	−0¼	27.12
Minolta Camera 2¼ 94DM	2/86	1004.	98⅛	99⅛	−1	21.82
Mitsubishi Bk. 1⅛ 02 US	9/87	3157.	105⅛	107⅛	−1⅛	2.66
Mitsui Trust 2⅞ 01 US	10/86	1905.	117⅛	119	−0⅛	−0.25
Next Plc 5⅛ 03 £	11/87	4.3	99⅛	100⅞	0	103.99
Nichi Ngo. Bk 2½ 03 US	4/88	804.	108⅛	109½	−2⅛	6.75
Onoza Tateisi 2⅞ 02 US	4/87	2318.	208	209⅞	−1	−2.04
Primerica 5½ 02 US	4/87	64.75	65⅞	66⅛	+0⅛	55.46
Ranks Hovis 4⅞ 03 £	1/88	3.5	110⅛	111⅛	+3⅛	7.85
Rolland 7⅞ 02 £	1/87	5.4	85⅛	86⅛	+0⅛	16.17
Saatchi&Saatchi 6⅛ 03 £	†10/89	4.41	96⅛	97⅝	0	25.88
Texas Inst. 2⅞ 02 US	9/87	82.87	73	74	0	51.34
W.R. Grace 6⅛ 02 US	9/87	42.12	79⅛	80⅛	+0⅛	35.95

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Woolworth exceeds City expectations with £52.7m

By Maggie Urry

INCREASES IN market share in all its main retail chains and a strong first time contribution from its property development business gave Woolworth Holdings a profit boost above expectations in the half year to end-July. Profits before tax and exceptional items rose by some 95 per cent to £52.7m.

Mr Geoffrey Mulcahy, chief exectntive, said the results showed that the business was moving forward according to plan. He reiterated the objective of "sustainable growth whatever the market conditions."

He said that although "it is prudent to be cautious about consumar spending in the short term" that "looking ahead there is tremendous scope to expand our existing retail brands' share of their respective markets."

The Woolworths chain reduced its operating loss from £6.2m to £4.9m. Despite a reduction in the sales area, turnover had risen by 5 per cent to £391.8m. Superdrug, the other high street chain, which has been built up largely through acquisitions over the last year, contributed £7.5m (£3.4m in three months).

Of the ont-of-town businesses, B & Q, DIY superstores, increased profits by 36 per cent to £36.5m and despite the difficulties in the sector, Comet, electrical chain, raised profits by 20 per cent to £4.2m.

Chartwell Land, the property side, contribntad £31.9m (£19.7m) with first time development profits of £7.6m and realisation profits of £3.6m. Mr Archie Norman, finance director, said that despite sales the value of the property portfolio would not be much lower than last year's £800m at the year end.

The interest charge was £18.3m (16.5m) and an exceptional item added £17.6m. The latter was the balance between sale and leaseback profits of £23.5m and costs of £5.9m associated with the conversion of space from Woolworth stores into Superdrug outlets and the cost of redundancies at Woolworth.

Earnings per share including exceptional items rose to 13.2p and excluding exceptionals to 8.7p. The dividend is up 10 per cent at 3.3p.

● COMMENT

Although these figures were well ahead of City expectations, the shares only gained 1p to 260p. Mr Mulcahy's well publicised concern abont the outlook for retailers given a slowing in consumer expenditure, increasing costs and tougher competition, appear to have been taken too seriously. Woolworth has shown over the last five years that it deserves a place among the winners when the retail shake out comes, which is not reflected in a prospective p/e of a little over 10. Strong market share positions, a bias towards the less-fanciful areas of consumer spending, continued expansion, better use of space and centralised distrihntion systems should all continua to bring added profits even in tougher conditions.

Earnings downturn forecast by AAH

By David Waller

EARNINGS at AAH Holdings will fall slightly this year, the chairman of tha distribution group warned yesterday.

Speaking at the company's annual general general meeting, Mr William Pybus blamed this in part on the effects of the controversial share incentive scheme introduced by Unichem, the chemists' co-operative.

Other factors for the likely decline were the sale of the company's 25 per cent holding in British Fuels, which generated 90 per cent of its profits in the winter months.

Also, the £14m acquisition of the W Jamieson chain of chemists in April would not make a full contribution for the year.

As a result, Mr Phybus said that pre-tax profits would improve on the £24.5m made in 1987-88, but earnings per share would be constrained modestly.

At the close of yesterday's meeting, Mr Phybus was served with a writ by Unichem, alleging libel in his chairman's statement contained in the 1988 annual report and accounts.

Mr Phybus said later that the writ would be vigorously defended.

Shares in AAH closed unchanged at 259p.

*The Office of Fair Trading will today announce the findings of its investigation into the Unichem incentive scheme.

The investigation was carried out under the Competition Act 1980 and followed numerous complaints from rival wholesalers such as AAH.

Restructured DRG shows 15% gain

By Maggie Urry

DRG, stationery, packaging and engineering group, demonstrated the success of management restructuring efforts over the last few years with a 15 per cent rise in interim pre-tax profits to £28.3m. Sales in the period to July 2 rose by 9 per cent to £388.5m.

Mr Moger Woolley, chief executive, said virtually all the rise came from organic growth rather than acquisitions. Two disposals and four purchases near the end of the half year meant that about half group turnover now comes from activities capable of growing at 15 per cent a year or more.

The current year would see the highest level of capital expenditure the group had ever committed, reaching £50m against £38m last year, which compares with a depreciation charge of abont £18m, Mr Woolley said.

He also revealed that the 4 per cent stake sold by the Knwait Investment Office, which retained a 6 per cent holding, had gone to Pembridge Investments, a Bermuda based company, run by Mr Roland Franklin. He is a financier based in the US who works for Sir James Goldsmith.

Operating profits in the UK rose over 8 per cent to £20.9m, and overseas profits were up 23 per cent to £9.7m, despite a setback in New Zealand where economic conditions are bad, which hit profits by about £1m.

After a 27.6 per cent tax charge, earnings per share rose by 15.5 per cent to 19.4p and the dividend is up from 4.1p to 4.7p.

● COMMENT

DRG appears to be doing all the right things, both in tackling its problem areas by making operations more efficient and in pursuing growth opportunities such as medical packaging and microwaveable containers for convenience foods. A by-product of the former is the release of land which could bring in £50m over the next five years, and with gearing already low, finances are not a problem. Forecasts for the year centre around £58m giving a prospective p/e of 11.4 with the shares down 5p to 444p yesterday. Despite the steadily rising earnings, that rating is more dependant on bid hopes than trading, although there seems little that a bidder could do to squeeze much more ont of the company.

Sirdar overcomes hand knitting decline

BY ALICE RAWSTHORN

DESPITE THE decline in the hand knitting market, Sirdar pre-tax profits rose by 14 per cent to £6.9m in its last financial year on sales up by 11 per cent to £54.2m.

Mr Gerry Lumb, managing director, said the company had fared well considering the intensely competitive state of the market. Earnings per share rose to 8.06p (7.31p) in the year to June 30. The final and total dividends are unchanged at 3.5p and 5.15p respectively.

The hand knitting market lurched into decline three years ago. Sirdar, one of the largest spinners in the UK, has suffered with the rest of the industry.

The group has cut costs by reducing its workforce to 850, from 1,350 when the market peaked three years ago. Its hand knitting sales fell by about 10 per cent to £27m last year and operating profits were "marginally lower" at £3m.

The company made an exceptional charge of £278,000 for bad debts because of the liquidation of two wholesale customers in North America.

Mr Lumb said that the state of the market was still weak, but Sirdar experienced sales growth in July and August.

Two years ago Sirdar diversified away from hand knitting into home textiles by buying Burmatex, a carpet tile manufacturer, and Eversure, which makes curtains and cushion covers.

Burmatex profits rose to £3.5m (£2.5m) while Eversure profits fell to £900,000 (£1.1m).

● COMMENT

In the days when hand knitting sales were soaring, Sirdar's steady investment in machinery and marketing turned it into one of the most successful stocks in the textile sector. It is a testimony to its success that it has mustered margins of over 10 per cent in a market which has been so very listless for so long. Yet there is still no sign – the summer sales fillip notwithstanding – of an significant improvement in demand. In the meantime Sirdar must muddle along as best it can by making the most of carpet tiles, curtains and cushions. It should sustain a respectable rise in profits to £7.7m this year. And the shares, on a prospective p/e of 12 at 110p, already have a sniff of bid speculation.

British Coal Pension Funds claims TRIG offer 'fair'

By Nikki Tait

BRITISH COAL Pension Funds yesterday claimed that the £560.5m bid for TR Industrial and General, an investment trust managed by Touche Remnant, was "fair" to shareholders and allowed the funds to acquire an investment portfolio on attractive terms.

The statement comes in a low-key offer document which adds little to the statement made when the offer was announced.

The document, however, brought a more spirited response from Kleinwort Benson, advisers to TRIG. Kleinwort said discussions had been held with the funds and their advisers, Barclays de Zoete Wedd, which had been "desultory and unproductive".

It suggested that the offer – 129.5p a share in cash – was unsatisfactory for some shareholders in terms of capital gains tax considerations. Mr Christopher Eugster, Kleinwort corporate finance director, added that it was difficult to offer firm advice against the fluctuating market. The offer price currently stands at a 6.2 per cent discount to the 138.1p a share net asset value.

"The canny shareholder will do nothing," commented Mr Eugster, noting that shareholders effectively have a put option with the funds.

Spirax-Sarco growth as profits rise 11%

By Clare Pearson

SPIRAX-SARCO Engineering, heat and fluid control equipment manufacturer, saw pre-tax profits rise by 11.2 per cent to £8.87m on an 8.2 per cent increase in turnover to £80.09m in the half-year to June 30.

The company said this represented sound growth in real terms when account was taken of the strength of sterling during the period. At constant exchange rates, pre-tax profits would have been about £500,000 greater.

Trading profits were up by 10.5 per cent to £8.39m (£7.59m); this meant a small increase in trading margins from 16.4 to 16.7 per cent.

The interim dividend is increased from 1.7p to 2.2p, to reduce disparity between the interim and final payments. Earnings per share rose to 7.5p (6.7p).

There were significant improvements in the company's steam specialty business in continental Europe and the Far East, and further progress was achieved in the US and Canada. But the UK market continued quiet while difficult economic conditions in Latin America still prevailed.

Hygromatik, the West German company which makes free standing humidifying equipment as well as those using steam from boilers, which was bought in January, performed up to expectations.

Mr Harris said cash balances, which amounted to £10.5m at the end of last year, were equivalent to levels at this stage last year, even after paying most of the £3.7m consideration for Hygromatik.

● COMMENT

The trading range for Spirax-Sarco's shares this year has been 168p to 193p, which sums up just how predictable is the company. It simply carries on pursuing its markets around the world and summons up moderate margin advances by efficiency improvements along the way. Currency plays little part in trading, since most manufacturing takes place in the same areas as sales. Hygromatik provided a modicum of excitement this year, as the first purchase since 1984. But the company stresses this does not mean it is branching out of steam traps in any substantial way, though it is conscious of the need to develop new products for the extremely-mature UK market. The company has defensive attractions, since it is so well-spread around the world and over half of its business is in replacements. However, the shares have already outperformed the market over the last quarter and analysts, who expect full-year pre-tax profits of about £21.5m, giving a prospective multiple of over 10, see virtually nothing to go for short-term.

Scholes rises 17% to £7.3m

By Clare Pearson

GEORGE H SCHOLES, fusebox and switchgear maker, advanced pre-tax profits by 17 per cent to £7.31m, on turnover up 16 per cent to £37.1m in the year to June 30.

Mr Reg Harrington, chairman and managing director, said trading conditions continued to be buoyant and he was looking for "excellent progress" in the current financial year.

The company was seeking acquisitions in the areas of accessories and industrial switchgear, he said, following the £9m purchase in March of H & L Appleby and the £2.74m purchase of Metron last month. Both are metal enclosures manufacturers.

The current reorganisation into two separate divisions under the renamed Scholes Group holding company, announced last month, should speed up measures to improve efficiency and further product development already in hand, Mr Harrington said. The two divisions will comprise respectively the metal enclosure and the electrical protection and switchgear devices companies.

The full-year figures included a £534,000 extraordinary charge for the cost of defence against Delta Group's unsuccessful bid last year.

During the year under review, Scholes disposed of all its minority interests apart from that in a Malaysian switchgear company. Income from related companies came to £132,000 (£104,000), while interest receivable and similar income gave £800,000 (£654,000). An interest charge of £175,000 came from an Appleby loan stock.

Total cash at year-end stood at £8.5m, against £7.4m at the end of 1987. Capital expenditure during the year came to about £2.26m and is expected to rise above £2.5m in the current year.

Earnings per share rose to 35.9p (31.3p). A final dividend of 11.5p is proposed, making 17p (14p) for the year.

● COMMENT

It seems a shame that George H Scholes, having fought off a bid from Delta Group last year, should be finally brightening up just when the clouds are gathering over housebuilding. Still, Mr Harrington exudes confidence about current year prospects, with growth expected to come not only through recent acquisitions hut also organically. Apart from a number of new products, the company, which has in the past neglected the marketing function, plans to hring home to consumers and contractors what it believes are the superior safety qualities of Scholes items. Analysts expect underlying growth of about 11 per cent in the current year; although after that it may slow to about 9 per cent, and acquisitions outside the market for domestic equipment will be necessary to maintain momentum. Pre-tax profits of £9m are expected for the current year, which seems fully reflected in a prospective p/e of more than 11.5.

Caparo trebles to £3.8m after Fidelity closure

By Andrew Hill

THE CLOSURE of Fidelity, Caparo Industries' loss-making electronics subsidiary, has helped the engineering group more than treble pre-tax profits at the halfway stage.

Caparo returned £3.8m before tax in the six months to June 30, against £1.2m in the first half of 1987. The company also made a £3.05m extraordinary profit on the sale of the Fidality hrand-name to Amstrad, the consumer electronics group.

Fidelity was finally closed in May after 3¼ years of losses.

Caparo's results are now led by tha industrial division, which manufactures steel, abrasive and aluminium commodities for industry and where operating profits rose 22 per cent to nearly £5m (£4.11m) during the first half. The group paid interest of £1.2m during the period, compared with £1.04m, or £1.74m including Fidelity.

Group turnover has dropped slightly following the divestment of Fidelity, from £69.9m to £68m. Earnings per share increased from 0.83p to 2.64p and the company declared an interim dividend of 0.85p (0.75p).

Mr Swraj Paul, chairman, said demand for the industrial division's products had continued strongly, with above average growth from United Merchant Bar – the steel rolling mill, 25 per cent of which is owned by British Steel – Wrexham Wire and Barton Tubes (Canada).

Caparo is currently finalising the $39.25m (£23.17m) acquisition of Bull Moose Tube Company, a US tube manufacturer, and has disposed of its toy-making snbsidiary, Wells Kelo, for £418,000 in cash.

Mr Paul's sons – Ambar and Akash, both executives of the company – are to join Caparo's board.

● COMMENT

Rid of the albatross which was Fidelity, Caparo has lived up to analysts' expectations with strong first-half figures and an impressive interim dividend to add to the special interim of 0.9p already paid. United Merchant Bar now provides the backbone of Caparo's business and continues to increasa capacity to supply the buoyant construction industry. The acquisition of Bull Moose should erase bad memories of past purchases – for one thing, unlike Fidelity, it is in a field which Caparo knows well – and the disposal of Wells Kelo, which lost £646,000 before tax in 1987, should also benefit the group. Forecasts of about £8m before tax put the shares – up ¼p at 53¼p yesterday – on a prospective multiple of about 10, higher than other engineering groups, bnt reflecting Caparo's new, more attractive image in the sector.

Abbott Mead expands 15%

By Fiona Thompson

ABBOTT MEAD Vickers, the UK's 10th largest advertising agency, yesterday reported a 15 per cent increase to £1.56m in pre-tax profits for the six months to June 30 1988.

Turnover rose 27 per cent to £41.6m (£32.75m). Earnings per share increased from 6.5p to 7.35p. An interim dividend of 2p (1.8p) was declared.

The group has won £22m worth of new billings during the first half, including the £12m Comet account, the launch of two magazines – Riva and GQ – as well as Rimmel cosmetics, Mappin and Webb, Timberland and Midland Montagu. One account was lost – Pork Farms.

Billings are heavily weighted towards the second half, thus enhancing the prospects for the rest of 1988, the company said.

Abbott has invested in two new ventures, Westway Media, media buying company, and The Promotion Centre, sales promotion consultancy.

The tax charge was £547,000 (£512,000).

UK COMPANY NEWS

RHM shares jump on rumours of buyer for Australian-held stake

Shares in Ranks Hovis McDougall, the British food group in which Sydney-based Goodman Fielder Wattie has said it is seeking to sell its 29.9 per cent stake, jumped sharply yesterday from 359p to 393p – before easing back to close at 385½p, writes Nikki Tait.

Various rumours circulated in the market – among them, suggestions that either United Biscuits or, more strongly, Grand Metropolitan were negotiating for the stake.

Grand Metropolitan said that it did not, as a matter of policy, comment on share price movements. Other speculation centred on the idea that GFW had turned down an offer for the stake put at figures ranging from 400p to 420p a share.

However, Goodman's advisers Samuel Montagu denied that the stake had been sold, and said that if this happened, an announcement would be made immediately. Mr Cliff Lyon, Goodman Fielder's UK and European director, added that the company still expects the disposal process to take two to three months. There was, he said, no truth in the rumours.

Mr Lyon added that since GFW's announcement that it wished to sell the stake, the company had received other approaches in connection with the holding, both from the Continent and the UK. However, the company was continuing with its planned sale procedure, with no expected change in timescale.

Both RHM and Morgan Grenfell, its advisers, said that they had not had contact with any third party potentially interested in the Goodman shares.

GFW, which spent two years amassing the stake, decided to sell the shares after its £1.7bn bid for RHM was referred to the Monopolies Commission.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Abbott Mead Vick	int	2†	-	1.8	-	4.5
Admiral C'puting	int	0.8†	-	-	-	1.46
Baird (William)	int	2.65†	Jan 6	2.475	-	6.475
Berry Starquest	int	2	Oct 24	-	-	-
Blockleys	int	3.5	Oct 14	2.7	-	6.5
DRG	int	4.7	Nov 21	4.1	-	10.7
Candover Invs	int	3.5	Oct 17	3	-	9
Capero Inds	int	0.85	-	0.75	-	0.75
Cook (D.C.) §	fin	1.9	-	-	2.85	-
Croda Intl	int	3.8	Dec 5	3.4	-	9
DDT Group	fin	1.2	-	1.2	1.2	1.2
Equity & General	int	0.5	Jan 6	0.4	-	1.75
Great Southern §	int	2.3	Nov 2	2	-	6
Hall (Matthew)	int	2.1	Nov 4	1.875	-	5.375
Ibstock Johnsen	int	2	-	1.5	-	4
Jacksons Bourne	int	0.75	Oct 28	0.5*	-	1.75*
Johnston Press	int	1	Nov 17	-	-	-
Jove Inv Trust	int	3.06	Nov 30	2.847	-	6.222
Laing (John)	int	3	Oct 28	2	-	9
Lancaster	int	1.3	Nov 1	-	-	2.1
LASMO	int	2.5	Nov 14	2.5	-	7.7
LMS	fin	2.2	Nov 19	2	3	2.8
Ocean Transport	int	3.68	Nov 1	3.34	-	10.35
Pacific Sales §	int	1.25†	Oct 7	-	-	1
Page (Michael)	int	0.5	Nov 14	-	-	-
P&O	int	10.5†	Nov 9	9	-	22
Prudential Corp	int	2.7	Nov 24	2.3	-	6.8
Sanderson Murray	fin	5.5	-	5	5.5	5
Scholes (G.H.)	fin	11.5†	Nov 14	9.5	17	14
Sirdar	fin	3.5	Nov 28	3.5	5.15	5.15
Spandex §	int	1.5	-	1	-	3
Spirax-Sarco	int	2.2☆	Dec 3	1.7	-	6.4
T'belt & Britten	int	1.9	Oct 21	1.5	-	4.5
United Biscuits	int	4.5	Jan 6	4	-	11
Woolworth	int	3.3	Nov 4	3	-	9

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ☆Scrip alternative.

Forecasts lifted after strong interims and speculation over RHM

UB surprises with jump to £68.6m

By Christopher Parkes, Consumer Industries Editor

THE IMPACT of yesterday's strong interim results from United Biscuits on the group's share price was fudged by widespread speculation in food stocks. However, brokers surprised by the 16 per cent rise in pre-tax profits to £68.6m, moved promptly to crank up their full-year forecasts.

Group turnover rose 14 per cent to £1.14bn in the 28 weeks to July 16.

Sales in UB Brands, the cash-cow UK biscuits division, were affected by the delisting earlier this year of 20 branded lines, and rose by only 5 per cent. However trading profit increased 17 per cent to £28m as selling efforts concentrated on premium products like Hob-nobs.

The KP snacks and own-label biscuits arm increased sales 16 per cent to £190m and trading profit was 17 per cent higher at £18.2m.

Sucheros tortilla chips and O'Boise's fancy potato crisps have swept the Keebler business from nowhere into third place in the US salted snacks market.

Coming from a Fort Worth factory opened last November, these new products promise considerable future growth. Keebler held its margins despite heavy promotional spending, and trading profits rose 16 per cent to $33.7m (£19.8m) on gross sales up 15 per cent at $684.3m.

UB also appears to have bought Ross Young's frozen foods from Hanson at a turning point in its fortunes. The business is already beating budgets and there are up to £12m-worth of synergies yet to come as it is integrated with the existing frozen cakes and pizza operations.

After a briefing yesterday and liberal hand-outs of new products, analysts upgraded their predictions. They now suggest pre-tax profits for the full year of about £170m compared with earlier forecasts of around £162m.

With earnings per share up 13 per cent at 10.7p, the interim dividend is to be increased to 4.5p (4p).

● COMMENT

Any company likes to spice its interims with an encouraging announcement to complement the figures. This time last year UB accepted Procter & Gamble's surrender in the soft cookie war and bought the US company's plant for a knock-down price. Yesterday the City added its own dash of zest. UB's shares jumped 7½p on speculation about the future of Ranks Hovis McDougall. Without this, the price might have advanced only a few pence, despite the presence of several pleasant surprises in the results package. Nudging 11, the p/e stands at a modest premium to the market, but UB is not the sort of stock which can be expected to retain this position for long. The company's main problem seems still to be Sir Hector Laing's resistance to institutions' demands for more bounce in earnings per share growth. A wider shareholding base – with the US an option – might offer some relief. But this might not be the wisest move at present, considering UB is being challenged in the US courts by an incensed P&G accusing it of pinching its patent cookie process.

All main areas help Prudential to £144m

By Eric Short

PRUDENTIAL CORPORATION yesterday reported pre-tax profits up by nearly a quarter at the half-way stage from £117m to £144.4m, with all its main operations contributing to this improvement.

Profit attributable to shareholders showed a similar increase from £79.2m to £99.7m, with earnings per share up from 4.4p to 5.4p.

The interim dividend is lifted from 2.3p to 2.7p.

Life, and other long-term insurance business world-wide, showed steady profits growth from £81.1m to £86m. Good growth in profits from individual business in the UK and in overseas operations – where JNL in the US had a 58 per cent rise – was diluted by losses at Prudential Holborn due to the slump in unit trust sales, and lower profits from its reassurance subsidiary Mercantile and General, mainly from reserve strengthening to meet possible Aids claims.

The general insurance business saw a dramatic improvement world-wide with profits more than doubling from £14.8m to £40.9m.

The drastic underwriting action on UK general insurance business, which saw a loss of some business with premium income up only marginally from £202.9m to £209.7m, together with good weather conditions during the period, brought about a healthy profit rise from £2.1m to £17.8m.

Overseas there was profit growth in most territories, the main exception being Canada where profits almost halved from £3.1m to £1.8m.

Profits from the general reinsurance operations of Mercantile and General rose significantly from £5m to £13.5m.

The Pru's venture into the UK estate agency sector, where it is now the largest estate agency firm, was reflected in profits – £5.6m against £400,000 – and in new life business. Some 8,500 endowment mortgage policies have been sold since the end of April, when the Financial Services regulations became operative, and the end of July.

● COMMENT

The Prudential Corporation is currently firing on all cylinders and all its major operations showed at least steady growth in the first six months of this year. Long-term business is good, with profits from life and individual pensions business in the UK offsetting dull unit trust results. General insurance business is now benefiting from the drastic rate increases, tougher underwriting and good weather world-wide. And the estate agency business has come good both directly - £15m pre-tax expected this year - and as a source of new life business. The market is looking for at least a 20 per cent rise in attributable profits this year, yet it was unimpressed by the interim results, the shares shed 2½p to 154p - a multiple of 13 on anticipated earnings per share of 11.7p.

Market unimpressed by Croda's 10% rise

By Philip Coggan

CRODA INTERNATIONAL, chemicals, foods and cosmetics company, yesterday reported a 10 per cent increase in pre-tax profits to £15.68m in the 26 weeks to June 26. However, the figures failed to impress the market and the shares fell 8p to 181p.

Mr Keith Hopkins, chief executive, said that the drought in the US Mid-West had caused dramatic increases in the prices of raw materials, such as vegetable oils and fats. There was an inevitable lag before these could be passed on to customers and this had squeezed Croda's margins.

Profits at the speciality chemicals division, which was most affected, increased from £8.16m to £8.64m on turnover up to £69.4m (£64.7m). The industrial chemicals division found it rather easier to pass on price increases with profits up from £1.56m to £1.88m on turnover of £22.3m (£20.9m).

The strength of sterling also adversely affected Croda, said Mr Hopkins, reducing the final profits figure by £500,000.

Turnover in the food division fell from £27.8m to £23.3m, but thanks to the disposal of some loss-making businesses, profits rose from £957,000 to £1.01m. Profits in the surface coatings division increased from £2.71m to £3m and there was a profit of £160,000 in cosmetics and toiletries, against a loss of £176,000 last time.

Overall, turnover was 4 per cent higher at £170.8m. After tax of £5.32m (£4.94m), earnings per share were 8.16p (7.3p). The interim dividend is being set at 3.8p (3.4p).

● COMMENT

For some time, Croda has been treated as a yield, rather than a growth stock and there is little in these figures to suggest a dramatic change is imminent. Margins should improve in the second half as raw materials price rises feed through to customers but pre-tax profits will probably total around £35.5m, compared with £31.8m last year. There are hopeful signs for the future; the group has planned capital expenditure of £24m and there are hints that some of the peripheral activities may be sold off, in order that the group can concentrate on its core chemicals business. But for the moment, the shares are being judged on the prospective yield of 7 per cent, rather than the prospective p/e of 9.5.

Wolstenholme valued at premium, says Cookson

By Clare Pearson

COOKSON GROUP, which last week disappointed hopes it would increase its £25.5m contested bid for Wolstenholme Rink, said in a letter to shareholders released yesterday that the offer valued the shares at a level above the market price.

Wolstenholme's shares, valued at 410p under both the five-for-three share offer and the cash alternative, closed yesterday at 423p, up 10p.

But Cookson stressed that the middle market closing price on Tuesday was 403p, according to the Stock Exchange Daily Official List. It further claimed the shares, which fell nearly £1 to 420p after it ruled out improving its terms last Friday, were still supported by its offer.

In a strongly rhetorical response, Mr Stanley Wright, chairman, described Cookson's bid as "dead even if they will not allow it to lie down". The offer, which has attracted acceptances from less than 1 per cent of shareholders, closes on September 23.

Lasmo moves up 37% to £14m

By Max Wilkinson

LONDON AND Scottish Marine Oil yesterday reported net profits for the first six months of the year up 37 per cent from £10.2m to £14m.

The interim dividend is maintained at 2.5p per share.

Oil production rose by 26 per cent on the first half of 1987 to a record average of 51,200 barrels per day in the latest period. However, turnover fell from £75.4m to £64.6m due to a decline of about £2 in the price of crude to the equivalent of £8.75 per barrel. A build-up of stocks at the end of the period reduced the volume of sales of oil to about the same level as in the first half of 1987.

The company said that spending on exploration and development was unchanged at £26m. Net debt was also unchanged at £117m.

The rise in oil production reflected increased output from Lasmo's Nigerian properties, mainly from the Kurau field in the Malacca Strait. The 6,500 b/d production from Gabon was also a record, while oil output from the company's North American assets rose by 50 per cent.

See Lex

GKN to sell parts importer for $50m

GKN, engineering group, is selling GKN Aftermarket Import Parts to quoted Connecticut-based car and truck parts company, Echlin, for a final consideration of $50m (£29.4m).

GKN said yesterday that AIP had not been making an entirely satisfactory return and the price was slightly below net asset value.

Some $47m (£27.6m) cash is payable on completion, and the rest as soon as practicable.

Shipping operations becalm OT&T

By Roy Bashford

OCEAN TRANSPORT & Trading, diversified international distribution services group, was battered by further difficulties in its shipping operations during the six months to June 30 and managed only a £100,000 increase in pre-tax profits to £17.4m.

The division's slide into the red offset the improved performances of each of the other three divisions. With the shipping operations stripped out and a £1.6m profit on a Liverpool property sale excluded, pre-tax profits were up 21 per cent.

OT&T's trading profit was £18.9m (£16.5m) on a turnover of £499m (£476m). Earnings per share edged up from 9.3p to 9.6p and the interim dividend is lifted by 10 per cent to 3.68p.

Mr Nicholas Barber, chief executive, said that the company was receiving the rewards from the £50m investment into the expansion of international freight forwarding, specialised warehousing and distribution and environmental management. He expected that additional investment would strengthen prospects for the next financial year.

OT&T made major management and investment changes following the abortive takeover attempt by Brierley Investments which still holds a 30 per cent stake in the company.

Trading profits from freight forwarding and warehousing operations rose from £7.1m to £8m while the environmental management activities advanced from £5m to £5.6m.

The mild winter bit into returns from fuel distribution while a downturn in the continental European market for vegetable oil storage also restricted growth in trading profits from the land services division to £13.6m, a 12 per cent advance.

Apart from continued highly competitive conditions in international shipping, OT&T's Barber Blue Sea operations were also hit by the temporary paralysis on shipping movements through the Panama Canal caused by the political upheaval in the country.

These factors combined to cause a £100,000 trading loss compared with a £2.1m profit previously. The outcome came after a decline in turnover from £31.7m to £20.1m.

Mr Barber said that the company was considering ways of "radically altering" exposure to the shipping industry and said that the company was involved in negotiations which may lead to a restructuring of the business.

● COMMENT

Just as OT&T appeared to be moving into calmer waters the shipping division has again hit the rocks. A rapid resolution to the problem is essential if the group is ever to realise the benefits of the coherent strategy for expansion that it has pursued during the past two years. The freight forwarding and warehousing operations hold strong potential with 1992 looming and market for globalised distribution systems growing. The environmental management side also holds strong potential as desire for a greener world grows. However, Sir Ron Brierley is well placed to play a decisive role in the company's future course. Pre-tax profit forecasts were trimmed to around £44m on yesterday's results, placing the company on a p/e of 9.6, slightly below the market.

London Forfaiting advances

By Peter Montagnon, World Trade Editor

LONDON FORFAITING, the specialist trade finance group which came to the USM last winter, increased pre-tax profits to £10.45m in the six months to end-June against a previous £7.89m, despite a deterioration in market conditions caused by rising interest rates.

The profit was struck after trading income of £19.53m (£16.97m) and bank interest receipts of £1.46m (£1.57m).

Bank intrest payable amounted to £7.58m (£7.93m) and administrative expenses to £2.97m (£2.72m). Tax took £2.51m (£1.9m), leaving earnings per share of 8.58p (7.98p). The interim dividend of 2.625p compares with 2.5p indicated at the time of the flotation.

The company gave no figures for its forfaiting book at June 30 but Mr Stathis Papoutes, managing director, said it was little changed on the £275m outstanding at the end of last year.

Forfaiting is a specialised form of trade finance which involves the issue of largely fixed-rate debt traded in a secondary market and placed with investors. It is thus vulnerable to rises in interest rates, particularly in currencies such as D-Marks, dollars and Swiss Francs in which most of the business is handled.

Rising interest rates in these currencies held back expansion of the forfaiting book during the period under review and meant that the company has not been able fully to exploit the extra capital it raised at the time of flotation.

However, Mr Papoutes said London Forfaiting had managed to generate fresh business from British exporters for whom forfaiting is emerging as an alternative to conventional Export Credits Guarantee Department finance. It was also developing new sources of business abroad.

The second half could be boosted by some sizeable construction-related transactions, he added. Though forfaiting was heavily affected by interest rate trends, rises in sterling interest rates helped increase profitability because its capital is denominated in sterling while most of its business is in other currencies.

Blockleys rises 47% to £2.58m at midway stage

Blockleys, Telford-based facing brick and pavior manufacturer, reported a 47 per cent advance to £2.58m in taxable profits for the first half of 1988. This result was achieved on turnover ahead 43 per cent to £8.58m.

Interest payable was down at £123,000 (£141,000) and tax was up at £929,000 (£614,000), after which earnings per 20p share came out at 13.72p (9.48p). The directors have raised the interim dividend to 3.5p (2.7p).

Mr T J Wright, chairman, said he was confident that the current high level of demand would continue for the remainder of the year.

Raine extends Ruberoid offer

By Andrew Hill

RAINE INDUSTRIES, the housebuilder, yesterday announced that 30.1 per cent of Ruberoid's shares had been committed to its hostile bid for the roofing materials group, and extended its main cash and shares offer until September 28.

However, Ruberoid shareholders who accepted Raine's 254p cash alternative, which closed at 1pm yesterday, can still take the 280p-a-share cash counter-bid from Tarmac, the building materials and construction group.

Raine is gambling on the possibility of Tarmac's recommended bid being referred to the Monopolies and Mergers Commission, and has said it will not declare its offer unconditional until the Office of Fair Trading decides whether the Tarmac offer can proceed. Raine is expecting to make formal representations to the OFT next week.

The housebuilder's cash and shares offer values each Ruberoid share at 230p. Raine said it would extend the offer period if the OFT had not made a decision by the end of the month, but would not increase its bid.

The acceptances declared yesterday included 18.6 per cent of Ruberoid's shares already belonging to Raine or its associate, Moodscatter. Meanwhile, Tarmac increased its stake in the target company. It now owns or has received irrevocable acceptances representing 20 per cent of Ruberoid's share capital.

Raine said it had received more acceptances of its cash offer than originally expected.

Mecca extends Pleasurama bid

Mecca Leisure, which is waging a £700m takeover battle for Pleasurama, yesterday extended its share only bid until Tuesday, September 27.

The first closing date passed yesterday with Mecca receiving acceptances from shareholders owning 2.9 per cent of Pleasurama's ordinary shares.

Mr Michael Guthrie, Mecca chairman, said this was a creditable response at this stage, although Pleasurama said the take-up was derisory. Mr Guthrie predicted there would be no problem in winning shareholder approval for the takeover at this morning's egm.

UK COMPANY NEWS

Enlarged Ibstock Johnsen up 63%

By Andrew Taylor, Construction Correspondent

IBSTOCK JOHNSEN, one of only three remaining independently quoted British brick manufacturers, increased pre-tax profits by 63 per cent to £27m during the first half of this year.

The figures were helped by first time contributions from new acquisitions, and include profits resulting from Ibstock's increased stake in Caima Holdings, its Portuguese timber and pulp operations.

Forestry trading profits rose from £2.48m to £8.21m. Excluding the impact of acquisitions the underlying increase in profits appears to have been somewhere between a quarter and a third.

UK building products which accounted for more than 50 per cent of trading profits rose by 35 per cent from £10.92m to £14.75m.

US sales and profits were marginally higher in dollar terms, but after conversion to sterling and allocating central management overheads, US profits fell from £3.58m to £3.02m.

Earnings per share rose from 7.26p to 9.04p

● COMMENT

It seems churlish to carp when Ibstock has turned in such a sparkling set of figures. The pace is likely to be maintained in the second half with further gains to coma from the UK construction boom and from higher UK brick and forestry prices. Medium term prospects look less assured. The US construction cycle has already peaked judging by recent results from at least half a dozen UK building material companies with US interests. Housing starts in north eastern states, where Ibstock is mostly based, were down by about 7 per cent in the first half of this year. The UK construction market also appears to be close to reaching a peak as does Ibstock's other major interest, pulp and forest products. The company however has bought shrewdly and is looking to diversify into other building materials. Its concentration on top-of-the-range products should enhance its defensive qualities when the market does peak. Bid hopes have receded, hence an unexciting (but at the top end for the sector) prospective pe of around 9 on a full year pre-tax profit of about £56m.

Admiral Computing down 10%

As forecast in the chairman's annual statement last March, Admiral Computing Group continued to suffer from the slow-down of orders during 1987.

In the six months to end-June, this software consultancy gronp reported pre-tax profits of £562,000, a decline of 10 per cent on the comparable figure last time.

Mr Clay Brendish, chairman, added that the results included set up costs of some £100,000 associated with tha group's new Australian subsidiary.

Turnover increased to £4.51m (£3.95m), while earnings per 5p share worked through at 3.3p (3.9p). The maiden interim dividend is set at 0.8p.

Pension holiday helps lift Matthew Hall

By Fiona Thompson

MATTHEW HALL, engineering designer and contractor, yesterday reported pre-tax profits of £7.63m for the six months to June 30 1988. The advance from £6.13m included a £1.4m pension holiday. Earnings per share rose from 5.28p to 6.67p.

At the trading level, profits slipped from £5.47m to £5.2m. However, the comparable figures included a contribution from the mining and minerals division, which has subsequently ceased trading.

With its 1987 full year results, Hall saw the end of its 15-year unbroken record of profit increases. Sir George Jefferson, who celebrates his first anniversary as chairman next month, said yesterday: "We bave turned the company round and we are now set on a growth course."

Turnover rose from £235.61m to £253.08m. The mechanical and electrical sector contributed profits of £2.49m (£2.27m). Demand is strong both in the UK and Australia and, with the order book at record levels, the second half should show a greater profit imnprovement, the company said.

Profits of the oil, gas and chemicals division dropped from £2.42m to £450,000, although this was an improvement on last year's second half loss of £577,000. US operations provided the bulk of the profit with the UK side making only a very modest contribution, relecting the low level of North Sea offshore investment

Design and construction profits grew from £517,000 to £2.8m. Wm Ellis, the housebuilding business, completed 60 houses, and has a three year land bank.

The pension holiday will continna in the second half, totalling £2.8m for the full year. An extraordinary charge of £78,000 (nil) related to closure costs. An interim dividend of 2.1p (1.87p) was declared.

● COMMENT

These figures were higher than analysts had forecast – but only because the company has increased this year's pension holiday to £2.8m from the £750,000 predicted at the last year end. That said, the underlying growth, pretty much as expected, does show that the company has begun to perform well again. The two healthy areas – mechanical and electrical and design and construction – are showing stronger orders and better margins. Housing completions have doubled and there should be two major property developments completing in the second half. Growth is looking flat for the oil, gas and chemical side and even if Matthew Hall wins one of the six major platform contracts upcoming, it would not reach the bottom line until the early 1990's. The shares closed 5p up at 135p, which, on a full year profits forecast of £16.5m, puts them on a prospective p/e of just over 9. A bit expensive.

Great Southern profits expand by 21%

By Andrew Hill

GREAT SOUTHERN Group, one of three funeral directors quoted on the USM, increased profits by 21 per cent to £1.71m before tax in the six months to June 30, compared with £1.42m in the equivalent period.

Turnover was up 17 per cent to £8.72m (£7.47m). Earnings per share rose 31 per cent from 9.4p to 12.3p following a lower tax charge.

Retail funeral services, trading from 135 branches, contributed profits of £1.09m (£892,000). Great Southern's 10 crematoriums and two cemeteries made £556,000 (£390,000); another crematorium will be opened in Bodmin, Cornwall, later this year.

Ancillary services profits halved to £126,000 (£267,000), reflecting the irregularity of major contracts for the exhumation service, which deals with old burial grounds and plague pits having to make way for road or property developments. Work had now started on three substantial new contracts, according to the group.

Profits of £340,000 on a land sale were taken above the line and Great Southern said it expected similar profits and interest savings from future property disposals.

The group said the Chosen Heritage pre-arranged funeral plan, now being marketed to mambers of the charity Age Concern, was developing well, with between 500 and 600 new members joining every month. The scheme could start to contribute directly to the group results next year.

Great Southern, about 66 per cent of which is owned by members of the managing Field family, declared an interim dividend of 2.3p (2p).

Michael Page rises 20%

MICHAEL PAGE Group, involved in executive selection and recruitment advertising services, achieved pre-tax profits of £2.52m for the six months to June 30. Page became an independent public company in May when it was demerged from Addison Consultancy Group, and consequently comparative figures are on a pro forma basis. The pre-tax result represents a rise of 20 per cent, and turnover, at £20.07m, one of 37 per cent.

After tax of £958,000 (£814,000), earnings per 2p share came out at 2.62p (2.14p) and the directors have declared a maiden interim dividend of 0.5p.

Mr Michael Page, chief executive, said that the accounting, legal and marketing recruitment consultancies had all achieved substantial increases in turnover and that a new office in Newcastle had been opened in May. The international businesses in Europe and Australia had continued to make good progress.

LMS marginally ahead

LONDON MERCHANT Securities reported a marginal increase in pre-tax profits, from £16.84m to £16.98m, for the year ended March 31 1988. This was despite a further fall in the contribution from its oil and gas interests, Lord Rayne, the chairman, said.

The company also has interests in commercial property development and investment and leisure enterprises.

The directors are recommending an increased final dividend of 2.2p (2p) for a 3p (2.8p) total. Earnings per share moved ahead to 5.98p (5.55p) basic and 4.14p (3.88p) fully diluted.

First Leisure Corporation, its related company involved in leisure enterprises, again produced impressive organic growth, the chairman reported. Revenue from that source rose by 24 per cent.

Tax charged was £5.46m (£5.83m) and minorities took £1.97m (£2.15m). There was an extraordinary debit of £1.81m (£571,000).

Wm Baird advances 26% to over £10m

By Alice Rawsthorn

WILLIAM BAIRD, textile and engineering gronp, yesterday announced a 26 per cent increase to £10.1m in pre-tax profits in the six months to June 30. Sales rose 20 per cent to £146.1m.

In April, Baird staged its largest acquisition for several years by buying Windsmoor, women's wear company, for £28.4m. The first contribution from Windsmoor, for seven months, will be included in the full year results.

Since the acquisition, Baird has completed a review of the Windsmoor business. It has closed Goldan Rifle, a joint venture, in order to concentrate on Précis, a new collection for smaller women. The number of Précis concessions will be more than donbled from tha present 40 by next autumn.

Mr Donald Parr, chairman, said the integration of Windsmoor was progressing well; Baird intends to strengthen its financial controls and invest in compnterisation. Mr Parr said that benefits of its investment should emerge from next year onwards.

Baird Textiles, which includes contract manufacturing as well as brands like Dannimac rainwear, saw operating profits rise to £6.7m (£5.8m) on sales of £103.7m (£86.2m).

Mr Parr said that the manufacturing and overseas sourcing businesses all fared well. He attributed the fall in margins to Baird's investment in new distribution facilities, which should come to fruition next year.

Operating profits at Darchem, the engineering division, increased to £3.4m (£2.9m) on sales of £42.4m (£35.3m). Tha contribution from thermal insulation contracts has been reduced because of the completion of the Advanced Gas Cooled Reactor Programme.

Earnings per share increased to 8.6p (6.9p), and the interim dividend is increased to 2.85p (2.475p).

● COMMENT

Baird is one of the breed of safe, solid companies that have come into their own since the stock market crash. In the bull market it tended to be dismissed as rather too safe and solid for the City's taste. In the current, more cautious climate, its share price has risen reassuringly. So far this year, when the clothing industry has suffered intense price pressure and increasing imports, Baird has benefited from increased efficiency and expansion of overseas sourcing. The benefits of the investment in Windsmoor and distribution – and from Darchem's new engineering interests – should filter through next year. In the meantime the City expects full year profits of £32m putting the shares – up 1p to 244p yesterday – on a prospective p/e of 9.5. Appropriate.

Improved margins help Laing rise 86% to £24.7m midway

By Clay Harris

IMPROVED MARGINS helped John Laing, the building and construction group, to increase pre-tax profits by 86 per cent to £24.7m in the six months to June 30. Earnings per share advanced by the same amount to 18.4p, and the interim dividend is lifted by 50 per cent to 3p.

Although the group did not give a divisional breakdown, it said both core activities – construction and homes – had increased profits. Nearly 1,700 homes were sold in the UK and California, compared with 1,170 in the first half of 1987.

Mr Peter Johnson, finance director, said volumes in the construction division also rose, and it was on course to show a better return on turnover than the 1.5 per cent achieved in 1987. Overseas orders, however, had shown little sign of recovery.

Group turnover rose by 20 per cent to £612.3m.

The interim results do not include any of the £10m surplus from the flotation of 30 per cent of Europistas, the Spanisb motorway authority, earlier this year.

An as yet undecided proportion of this profit would be taken above the line in the full year. Mr Johnson said. Laing intends to show an even flow of disposal proceeds from Europistas as it gradually sells the rest of its interest over the next five to 10 years.

The average price of houses sold by Laing in the UK rose to nearly £65,000 in the first half, against £56,000 for 1987 as a whole. Laing expects the average to rise to £70,000 by the year-end. Its land bank at June 30 was slightly higher than the 11,000 plots reported at the end of 1987.

Laing is redeveloping two of its own sites, at Mill Hill, north London, and Maple Cross on the M25. Both projects will take between two and three years. Woodhouse Securities, a joint venture with Mr Richard Branson's Voyager Group, is re-developing the Norton House Hotel in Edinburgh

● COMMENT

Even leaving aside the Europista proceeds, the precise treatment of whicb is subject to parley with the auditors, Laing shares are cheap on a prospective p/e of less than 7. Add in Europistas and the full-year pre-tax total beads towards £63m, and the multiple drops closer to 6. If the residential property market softens, Laing will not escape tbe effects. But its traditional prudeoce – it was ungeared at June 30 despite its spring-time signal that it would be a bit more daring in future – puts it in a better position than most. On its merits, Laing is one of the best in the sector, but it is not one for the bid-spotters.

D C Cook doubled to £5m

By Philip Coggan

D C COOK, the USM-quoted motor dealer and property developer, more than doubled pre-tax profits in its first year after flotation.

Pre-tax profits rose to £5.2m (£2.5m) in the year to April 30 on turnover 91 per cent higher at £158.9m (£83.4m). After tax of £1.9m (£784,000), earnings per share were 58.5 per cent higher at 12.1p (7.63p).

Mr Derek Cook, the chairman, said that the growth was virtually all organic with very little contribution from the four acquisitions made during the year. All the companies were bought for cash and the interest charge for the year was £1.65m (£981,000); gearing is now 86 per cent.

D C Cook had 12 dealerships when it joined the USM in July 1987, but has since increased that number to 28 by the end of the financial year and 34 to date. The property division, which develops petrol stations for oil companies, contributed 38 per cent of the profits, and the financial services division a further 10 per cent.

Mr Cook said that the acquisitions had now been integrated into the group and would be contributing this year. Although a slowdown in the consumer boom obviously would affect the group, he said that D C Cook now sells more used cars than new cars, which should give the group protection in a downturn.

The final dividend is 1.9p, making a total of 2.85p.

● COMMENT

The last two or three years have been good times to be a car dealer and D C Cook has made the most of its opportunities. It has floated on the USM, increased the number of its franchises from two to 10 and trebled the number of its sites in little more than a year. Of course, the main question is whether the top of the cycle has now been reached. D C Cook would argue that its used car, property and financial activities give it some protection but nevertheless, at a time of higher interest rates, one must be cautious about a company that is 86 per cent geared and which sells 85 per cent of its cars on credit. Accordingly, even assuming a further jump in pre-tax profits to £8.5m this year, the prospective p/e of 9.5, on shares up 2p to 163p yesterday, looks high enough.

Pacific Sales back in the black midway

A strong contribution from its enlarged office automation division enabled Pacific Sales Organisation to return to profit at the pre-tax level in the six months to June 30 1988. The figure of £1m compared with a £364,838 loss previously. Turnover surged from £680,849 to £11.23m.

Trading profit of the USM-quoted company breaks down to £1.38m (nil) from office automation. Mr Peter James, chairman, said the accounts of Westcoast, which was acquired in March, for the year to July 31 showed a pre-tax profit before management charges of £1.05m. There was also a contribution to Pacific's result from Triumphnormal, acquired in April.

The leather goods division reduced its loss from £237,115 to £182,296. It is expected to contribute to full-year profits.

An interim dividend of 1.25p (nil) has been declared on earnings per 10p share of 6.09p (4.71p).

Johnston Press maiden profits improve 34%

IN THE first set of figures since its main market flotation in April, Johnston Press revealed 34 per cent growth in taxable profits to a record £2.03m for the six months ended June 30.

Mr John Harvey, chairman of the weekly newspaper and freesheet group, said second half profits should be boosted by a full six-month contribution from the West Sussex County Times Group, acquired in March for £3.8m, as well as from improved liquidity. Cash flow remained strong, he added.

Turnover improved to £17.15m (£14.22m). An interim dividend of 1p will be paid from earnings of 5.86p (4.56p).

Tibbett & Britten rise

TIBBETT & Britten Group, transport and distribution company, lifted pre-tax profits by 40 per cent to £2.7m in the six months to July 2 1988.

Mr John Harvey, chairman, said that activity had increased throughout the business. Organic growth, reinforcement of the core clothing distribution side and strategic diversification had continued with £6m of additional revenue emanating from new operating divisions.

Turnover rose 24 per cent to £29m (£23.4m), while profits at the operating level advanced 50 per cent to £2.94m (£1.96m). After higher interest charges of £238,000 (£33,000) and an estimated 35 per cent tax charge, earnings per 5p share rose to 6.7p from 4.8p last time.

The interim dividend is lifted to 1.9p (1.5p).

Development costs hit W Spear interim profit

By Graham Deller

HIGHER DEVELOPMENT costs and reduced activity at the group's factory in the first four months of the year reflecting efforts to bring an updated version of its Scrabble board game into production resulted in an increased seasonal deficit at J W Spear & Sons.

In the six months to end-June, the toy and games manufacturer incurred pre-tax losses of £258,000 (£19,000) on turnover 14 per cent ahead at £4.05m (£3.54m). Losses per share increased from 0.3p to 4.15p.

Mr Francis Spear, chairman, said the second half had so far seen increased sales. Turnover at the end of August, he said, was up 20 per cent on the previous year. The autumn would see substantial marketing expenditure in an attempt to sustain the advance.

Spear is to close its Hayter wooden jigsaw division at Bournemouth and source the product from elsewhere. The division accounts for some 7 per cent of turnover. The surplus on disposal is expected to exceed termination costs.

Spandex increase

Spandex, USM-quoted supplier to the sign industry, lifted pre-tax profits by 50 per cent to £1.85m in the six months to June 30 on turnover up from £10.53m to £13.74m.

Last year's comparable figures were restated to include H Brunner, West German sign distributor acquired in January.

Tax took £720,000 (£475,000) and earnings per 10p share rose to 10.8p (7.2p). The interim dividend is raised 50 per cent to 1.5p.

Lancaster margins better

LANCASTER, retail motor group, achieved a 53 per cent rise in pre-tax profits to £2.06m in the six months to June 30. This result was struck on turnover which advanced 33 per cent from £51.88m to £68.75m.

Earnings per share rose to 7.9p (7.2p) and the directors have set the maiden interim dividend at 1.3p.

Mr Jeremy Brown, chairman, said the company's specialist sector, which includes Mercedes-Benz, Porsche, Ferrari, BMW and Jaguar, recorded good results with satisfactory margins on sales, while in the premium and volume sectors margins had improved over the previous year.

With record new car sales in the UK in August, trading in the second half had begun well and the company was looking forward to a successful outcome for the year.

Jacksons Bourne

Jacksons Bourne End, property investment and development and shoe component group, yesterday revealed a sharp downturn in taxable profits for the first half of 1988.

On turnover of £1.88m (£1.92m), the pre-tax figure fell from £301,000 to £153,000. Earnings per share dipped to 1.26p (2.3p), but the directors lifted the interim dividend to 0.75p (adjusted 0.5p).

Mr James Gulliver, chairman, said that the performance of the Stamina shoe component division, was still below budget.

Berry Starquest

Berry Starquest, one of the publicly quoted investment trusts managed by GT Management, has reported net asset value of 200.8p at the end of the five months to July 31.

The company joined the main market in March following the unitisation and reorganisation of the Berry Trust and the Northern Securities Trust.

Investments for the period came to £8.14m. Total net assets at the end of the period were £10.45m.

An interim divided of 2p per £1 share has been declared.

Sanderson Murray rise

SANDERSON Murray & Elder (Holdings), Bradford-based woolcombers, lifted taxable profits from £139,000 to £194,000 in the year to end-June.

Turnover expanded to £6.55m (£5.97m) and earnings per 50p share rose to 8.1p against 5.4p in the previous year.

The single recommended dividend is lifted to 5.5p (5p).

An extraordinary credit of £20,000 (£856,000) related mainly to an increase in the value of base stock to give effect to changes in price levels which are regarded as permanent.

General Appointments Appear Every Wednesday

Accountancy Appointments Appear Every Thursday

Newly Qualified Accountancy Appointments

As in the past the Financial Times proposes to publish a list of those candidates who were successful in the recent PII examinations. This list will appear in our issue of Thursday 29th September under the heading "Newly Qualified Accountancy Appointments". The advertising rate will be £47.00 per single column centimetre. Special positions are available by arrangement at £57.00 per single column centimetre.

Guide to Recruitment Consultants

Entries in the guide will be charged at £70.00, which includes your company name, address and telephone number. Any additional information will be charged at £14.00 per line.

For further information please contact:—
Louise Hunter
Appointments Advertisement Manager
on 01-248 8000 Ext: 3588

or your usual Financial Times Representative

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EUROPE'S BUSINESS NEWSPAPER

COMPANY NOTICES

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDR'S) IN NIPPON SHINPAN & CO., LTD.

NOTICE IS HEREBY GIVEN that a cash dividend will be paid to shareholders of record date September 30, 1988. Furthermore, it has been declared that the shares will be traded ex-dividend on the Japanese Stock Exchanges with effect from September 27, 1988.

Subject to approval of the dividend, a further notice will be published, after receipt of the dividend by the Depositary, stating the amount and actual date of payment of such dividend together with the procedure to be followed for obtaining payment.
Coupon Nº 23 will be used for collection of this dividend.

CITIBANK, N.A., London.
15th September, 1988 Depositary

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDR'S) IN SHARP CORPORATION

NOTICE IS HEREBY GIVEN that a cash dividend will be paid to shareholders of record date September 30, 1988. Furthermore, it has been declared that the shares will be traded ex-dividend on the Japanese Stock Exchanges with effect from September 27, 1988.

Subject to approval of the dividend, a further notice will be published, after receipt of the dividend by the Depositary, stating the amount and actual date of payment of such dividend together with the procedure to be followed for obtaining payment.
Coupon Nº 16 will be used for collection of this dividend.

CITIBANK, N.A., London.
15th September, 1988 Depositary

CANADIAN PACIFIC LIMITED

At a meeting of the Board of Directors held today, a quarterly dividend of nineteen cents (19c) Canadian per share on the outstanding Ordinary Shares was declared, payable on October 28, 1988 to holders of record at the close of business on September 27, 1988.

BY ORDER OF THE BOARD

D.J. DEEGAN
VICE-PRESIDENT AND SECRETARY
MONTREAL, September 12, 1988

CLUBS

LEGAL NOTICES

Swimming Pool Products Limited

Registered No: 1878362
Trading name: Airobeat Pool Products
Name and address of administrative receiver: David John Stokes
Cork Gully
14 Cross Burgess Street
Sheffield
S1 1QA
Office holder number: 2582
Date of appointment: 6 September 1988
Name of appointer: Royal Bank of Scotland plc

Airobeat (UK) Limited

Registered No: 1796864.
Trading name: Airobeat (UK) Limited.
Name and address of joint administrative receiver: David John Stokes, Cork Gully,
14 Cross Burgess Street,
Sheffield, S1 1QA.
Office holder number: 2582
Date of appointment: 6 September 1988.
Name of appointer: Royal Bank of Scotland plc.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Trade figures boost dollar

THE DOLLAR rose sharply on better than expected US trade data yesterday, although profit taking and fears of central bank intervention limited the extent of the rise.

July's seasonally adjusted shortfall of $9.53bn was well below the median forecast of $11.5bn, and was in sharp contrast to a revised June deficit of $13.2bn.

Initial reactions in currency markets pushed the dollar sharply firmer, but profit takers started to emerge, as the dollar moved up to Y135.00 and DM1.8880. Traders had earlier warned that the extent of the dollar's improvement was likely to be restricted by the unwinding of long dollar positions around the Y135 mark.

The firmer tone was also restricted by concern that central banks would act to stabilise the market. The US Federal Reserve Board was seen in the market, asking for quotations, and although there were no reports of intervention by the Fed, its interest in the market was sufficient to curtail demand.

The West German Bundesbank had already been active, selling dollar's in the open market as the US unit moved above DM1.8500. Traders were unsure about the longer term implications for the dollar, suggesting that a narrower deficit could herald lower interest rates if the dollar continues to improve, but this could reduce the dollar's attraction to overseas investors.

The dollar rose to DM1.8780 from DM1.8500 and Y134.60 compared with Y133.25. Elsewhere it improved to SFr1.5835 from SFr1.5580 and FFr6.3900 compared with FFr6.2925. On Bank of England figures, the dollar's exchange rate index rose from 98.9 to 99.6.

The strength of the dollar depressed the D-Mark, and the yen improved sharply in D-Mark terms. The West German unit fell through a significant support level of Y72.00 to finish at Y71.63.

Activity within the EMS was fairly uniform, with most currencies losing ground against the dollar. This tended to reduce pressure on the weaker members of the EMS, and the D-Mark eased back at the finish in Paris to FFr3.4007 from FFr3.4046 at the fixing and FFr3.4010 on Tuesday.

Sterling finished at its weakest level of the day. The Bank of England's exchange rate index slipped to 75.4 from 75.5 at the start and 75.6 on Tuesday. The decline was largely a reflection of its weaker tone against the dollar. This aside, the pound finished firmer against its major European partners, underpinned by high interest rates and a firmer tone in crude oil prices.

An unexpected 0.4 p.c increase in July industrial production over expectations of a 0.3 p.c. fall, and compared with a decline in June of 0.9 p.c., appeared to have little initial effect.

Sterling fell to $1.6750 from $1.6970, but improved to DM3.1475 from DM3.1400. It was slightly lower against the yen at Y225.50 from Y226.00, but improved elsewhere to SFr2.6525 from SFr2.6450 and FFr10.7025 compared with FFr10.6775.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Sept.14	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4691	+2.38	+1.76	±1.5344
Danish Krone	7.85212	7.96565	+1.45	+0.10	±1.5404
German D-Mark	2.05853	2.07190	+0.65	-0.70	±1.0981
French Franc	6.90403	7.05327	+2.16	+0.81	±1.3674
Dutch Guilder	2.31943	2.33774	+0.79	-0.56	±1.5012
Irish Punt	0.768411	0.772442	+0.52	-0.83	±1.6684
Italian Lira	1483.58	1546.81	+4.26	+3.44	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Sept.14	Latest	Previous Close
£ Spot	1.6760-1.6770	1.6945-1.6955
1 month	0.45-0.44pm	0.45-0.44pm
3 months	1.49-1.47pm	1.48-1.46pm
12 months	5.12-5.07pm	5.00-4.95pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Sept.14	Previous
8.30 am	75.5	75.7
9.00 am	75.5	75.7
10.00 am	75.5	75.7
11.00 am	75.5	75.6
Noon	75.5	75.7
1.00 pm	75.6	75.7
2.00 pm	75.5	75.6
3.00 pm	75.4	75.6
4.00 pm	75.4	75.6

CURRENCY RATES

Sept.14	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.766663	0.659979
U.S Dollar	6.50	1.30239	1.11602
Canadian $	8.75	1.60298	1.36691
Austrian Sch.	4	16.9115	14.5675
Belgian Franc	7	50.4644	43.4691
Danish Krone	7½	9.24762	7.96562
Deutsche Mark	3½	2.40447	2.07190
Neth.Guilder	4	2.71353	2.33774
French Franc	9½	8.18422	7.05327
Italian Lira	12½	1796.71	1546.81
Japanese Yen	2½	173.348	148.989
Norway Krone	8	8.93049	7.67769
Spanish Peseta	-	160.789	138.644
Swedish Krona	8½	N/A	7.17269
Swiss Franc	2½	2.02652	1.74658
Greek Drach.	20½	N/A	167.705
Irish Punt	-	N/A	0.772442

*All SDR rates are for Sept.13

CURRENCY MOVEMENTS

Sept.14	Bank of England Index	Morgan** Guaranty Changes %
Sterling	75.4	-16.8
U.S Dollar	99.6	-9.4
Canadian Dollar	84.7	-3.7
Austrian Schilling	133.9	+10.0
Belgian Franc	97.7	-5.9
Danish Krone	88.8	+0.2
Deutsche Mark	144.0	+21.4
Swiss Franc	165.6	+29.8
Guilder	132.6	+13.6
French Franc	68.6	-14.9
Lira	44.9	-21.2
Yen	239.4	+77.7

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100) **Rates are for Sept.13.

OTHER CURRENCIES

Sept.14	£	$
Argentina	19.9805-20.1265	11.9200-12.0000
Australia	2.1150-2.1180	1.2600-1.2610
Brazil	522.60-525.50	311.80-313.85
Finland	7.4145-7.4380	4.4310-4.4330
Greece	252.20-256.90	149.10-151.60
Hong Kong	13.1030-13.1235	7.8085-7.8105
Iran	120.00*	70.20*
Korea(Sth)	1215.20-1224.95	716.90-722.70
Kuwait	0.47860-0.47910	0.28545-0.28555
Luxembourg	65.95-66.05	39.35-39.45
Malaysia	4.4470-4.4630	2.6520-2.6560
Mexico	3817.90-3837.00	2278.00-2288.00
N. Zealand	2.7175-2.7225	1.6240-1.6265
Saudi Ar.	6.2895-6.2950	3.7505-3.7515
Singapore	3.4255-3.4356	2.0420-2.0450
S. Af (Cm)	4.1090-4.1255	2.4560-2.4575
S. Af (Fn)	6.2685-6.3075	3.7385-3.8095
Taiwan	48.80-49.05	28.80-28.90
U.A.E.	6.1585-6.1645	3.6725-3.6735

*Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

Sept.14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6700-1.6950	1.6745-1.6755	0.47-0.44cpm	3.26	1.51-1.46pm	3.19
Canada	2.0465-2.0820	2.0465-2.0475	0.26-0.15cpm	1.20	0.80-0.63pm	1.40
Netherlands	3.54-3.56½	3.54½-3.55½	1¾-1⅝cpm	5.70	5⅝-5⅜pm	6.20
Belgium	65.55-66.10	65.95-66.05	26-21cpm	4.27	76-66pm	4.30
Denmark	12.03¾-12.08	12.06¾-12.07¾	3½-2⅞orepm	3.17	10⅞-10⅛pm	3.48
Ireland	1.1655-1.1750	1.1720-1.1730	0.40-0.36ppm	3.89	1.30-1.17pm	4.21
W. Germany	3.13-3.15	3.14½-3.15	1¾-1⅝pfpm	6.43	5⅜-5¼pm	6.67
Portugal	258.00-260.70	259.20-260.20	24-60cdis	-1.94	48-137dis	-1.42
Spain	209.55-210.40	210.00-210.30	18-11cpm	0.83	74-61pm	1.28
Italy	2335¼-2348¼	2346½-2347½	1-4liredis	-1.28	3pm-3dis	-
Norway	11.57¾-11.62¾	11.60¾-11.61¾	2-2⅜oredis	2.26	5-5⅜dis	-1.83
France	10.65½-10.71¾	10.69¾-10.70¾	3¼-3cpm	3.50	10¼-9¾pm	3.71
Sweden	10.83¾-10.86	10.84-10.85	1⅛-¾orepm	1.04	4¼-3⅝pm	1.45
Japan	225-226	225-226	1¼-1⅛ypm	0.44	4-3¾pm	1.43
Austria	22.01-22.10	22.02-22.06	11⅝-10¾gropm	6.09	36-32½pm	6.13
Switzerland	2.63¾-2.65¾	2.64¾-2.65¾	1⅞-1¾cpm	8.20	5½-5⅜pm	8.20

Belgian rate is convertible francs. Financial franc 66.70-66.80. Six-month forward dollar 2.92-2.87cpm 12 months 5.15-5.05cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Sept.14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6700-1.6950	1.6745-1.6755	0.47-0.44cpm	3.26	1.51-1.46pm	3.19
Ireland†	1.4285-1.4490	1.4285-1.4295	0.15-0.19cdis	-1.42	0.38-0.48dis	-1.20
Canada	1.2200-1.2305	1.2220-1.2230	0.17-0.21cdis	-1.86	0.55-0.62dis	-1.91
Netherlands	2.0810-2.1205	2.1195-2.1205	0.48-0.46cpm	2.67	1.45-1.41pm	2.71
Belgium	38.75-39.45	39.35-39.45	5.00-3.00cpm	1.22	10.50-6.50pm	0.87
Denmark	7.11-7.21	7.20½-7.21	0.35d-0.15orpm	-0.17	0.35d-0.15pm	-0.06
W. Germany	1.8400-1.8890	1.8785-1.0795	0.52-0.49pfpm	3.24	1.53-1.49pm	3.23
Portugal	153¾-155¼	154¾-156	55-78cdis	-5.16	165-215dis	-4.91
Spain	123.75-125.50	125.35-125.45	18-28cdis	-2.20	63-73dis	-2.17
Italy	1380-1401¼	1400¾-1401¼	4.80-5.80liredis	-4.56	10.70-12.70dis	-3.36
Norway	6.86-6.93¼	6.92¾-6.93¼	2.90-3.25oredis	-4.64	8.90-9.30dis	-5.27
France	6.27½-6.39¼	6.38¾-6.39¼	0.22-0.15cpm	0.35	0.46-0.28pm	0.23
Sweden	6.40¾-6.47¾	6.47¼-6.47¾	1.00-1.30oredis	-2.14	3.10-3.50dis	-2.05
Japan	133.05-135.00	134.55-134.65	0.37-0.34ypm	3.17	1.14-1.11pm	3.35
Austria	13.01-13.21	13.18¼-13.18¾	3.40-3.10gropm	2.96	9.30-8.30pm	2.68
Switzerland	1.5500-1.5840	1.5830-1.5840	0.67-0.64cpm	4.98	1.87-1.82pm	4.68

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 39.80-39.90.

EURO-CURRENCY INTEREST RATES

Sept.14	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10⅛-9⅞	10⅛-10¼	11⅝-11½	12⅛-12	12¼-12⅛	12¼-12⅛
US Dollar	8⅛-7⅞	8⅛-8	8⅛-8⅛	8⅜-8¼	8⅝-8⅜	8¾-8⅝
Can. Dollar	9⅞-9⅝	9⅞-9⅝	10-9⅞	10⅛-10⅛	10⅜-10⅛	10⅜-10⅛
D. Guilder	5⅛-5⅞	5⅛-5⅞	5⅝-5⅛	5⅝-5⅛	5⅞-5⅝	5¾-5⅝
Sw. Franc	3-2⅞	3-2⅞	3⅛-3⅞	3⅝-3⅛	3⅞-3⅝	4-3⅞
Deutschmark	5¼-5	5-4⅞	5-4⅞	5-4⅞	5⅛-5⅛	5⅛-5⅛
Fr. Franc	7⅛-7⅞	7⅞-7⅞	7⅞-7⅝	8-7⅞	8⅛-8⅛	8⅛-8⅛
Italian Lira	12-10	15⅛-13½	13-12½	12-11½	11⅞-11⅛	11⅛-11⅛
B. Fr. (Fin)	7⅞-7⅛	7⅞-7⅛	7⅞-7⅛	7⅞-7⅞	7⅞-7½	7¾-7⅝
B. Fr. (Con)	7⅛-7	7⅛-7	7⅛-7	7⅛-7⅞	7⅞-7⅞	8-7⅞
Yen	4⅛-4	4⅞-4⅛	5⅛-5⅛	5⅛-4⅞	5⅛-4⅞	5⅛-4⅞
D. Krone	8-7⅞	8⅛-7⅞	8⅛-8⅛	8⅛-8⅛	8⅛-8⅛	9⅛-8⅛
Asian $Sing	8⅛-8	8⅛-8⅛	8⅛-8⅛	8⅛-8⅛	8⅛-8⅛	8⅛-8⅛

Long term Eurodollars; two years 9⅛-8⅞ per cent; three years 9⅜-9⅛ per cent; four years 9½-9¼ per cent; five years 9⅝-9⅜ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Sept.14	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.675	3.148	225.5	10.70	2.653	3.550	2347	2.047	66.00
$	0.597	1	1.879	134.6	6.388	1.584	2.119	1401	1.222	39.40
DM	0.318	0.532	1	71.63	3.399	0.843	1.128	745.6	0.650	20.97
YEN	4.435	7.428	13.96	1000.	47.45	11.76	15.74	10408	9.078	292.7
F Fr.	0.935	1.565	2.942	210.7	10.	2.479	3.318	2193	1.915	61.68
S Fr.	0.377	0.631	1.187	85.00	4.033	1	1.338	884.7	0.772	24.88
H Fl.	0.282	0.472	0.887	63.52	3.014	0.747	1	661.1	0.577	18.59
Lira	0.426	0.714	1.341	96.08	4.559	1.130	1.513	1000.	0.872	28.12
C $	0.489	0.818	1.538	110.2	5.227	1.296	1.734	1147	1	32.24
B Fr.	1.515	2.538	4.770	341.7	16.21	4.020	5.379	3556	3.102	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

US Treasury bonds firmer

US TREASURY bonds rose sharply in yesterday's Liffe market, after the release of better than expected US trade figures for July. Sentiment was boosted by the dollar's stronger performance and a consequent reduction in the possibility of US interest rates being pushed firmer.

The December price attracted a trading volume of nearly 25,000 as it rose to 88-19 at the close, up from 88-06 at the start, and 88-03 on Tuesday.

However the extent of the rise was restricted by the release of US industrial production, which rose by 0.2 p.c. in August, against expectations of a flat figure. The December bond price had touched a high of 89-15 during the day before finishing below this level.

Sentiment was also influenced by the recent recovery in crude oil prices, and the implications for the rate of inflation.

UK long gilt futures finished firmer, partly on relief that sterling had held up reasonably well in the face of a stronger dollar. In addition, cash interest rates were virtually unchanged, as many investors continued to take a back seat, until the release of UK trade data, later this month.

LIFFE LONG GILT FUTURES OPTIONS [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS [illegible]

LIFFE FT-SE INDEX FUTURES OPTIONS [illegible]

LIFFE $ OPTIONS £25,000 (cents per £1) [illegible]

LIFFE EURODOLLAR OPTIONS [illegible]

LIFFE SHORT STERLING [illegible]

PHILADELPHIA SE £/$ OPTIONS £12,500 (cents per £1) [illegible]

LONDON SE £/$ OPTIONS £12,500 (cents per £1) [illegible]

LONDON (LIFFE) — 20-YEAR 9% NOTIONAL GILT; 7-10 YEAR 9% NOTIONAL GILT; 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND; THREE MONTH STERLING; FT-SE 100 INDEX; THREE MONTH EURODOLLAR; US TREASURY BONDS 8% [illegible]

CHICAGO — U.S. TREASURY BONDS (CBT) 8%; U.S. TREASURY BILLS (IMM); SWISS FRANC (IMM); JAPANESE YEN (IMM); DEUTSCHE MARK (IMM); THREE-MONTH EURODOLLAR (IMM); STANDARD & POORS 500 INDEX [illegible]

CURRENCY FUTURES

LIFFE-STERLING £25,000 $ per £

	Close	High	Low	Prev.
Sep	1.6765	1.6796	1.6796	1.6959
Dec	1.6615	1.6640	1.6640	1.6808
Mar	1.6480			1.6682

Estimated Volume 10 (32)
Previous day's open int. 284 (252)

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6750	1.6705	1.6602	1.6461	1.6240

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Sep	1.6748	1.6976	1.6724	1.6968
Dec	1.6592	1.6760	1.6578	1.6816
Mar	1.6450	1.6670	1.6450	1.6700
Jun	-	-	-	1.6560

EUROPEAN OPTIONS EXCHANGE

[illegible]

KNP P	Fl. 160	73	1.50	1	4.50	-	-	Fl. 170.50
NEDLLOYD C	Fl. 240	34	2.30	-	-	-	-	Fl. 221.90
NEDLLOYD P	Fl. 210	88	2	10	7.30	-	-	Fl. 221.90
NAT.NED. C	Fl. 65	482	1.50	183	3.70	7	5.40	Fl. 64
NAT.NED. P	Fl. 65	139	2.10	-	-	-	-	Fl. 64
PHILIPS C	Fl. 35	444	0.60	286	1.70 A	20	2.50	Fl. 32.70
PHILIPS P	Fl. 27.50	3	0.10	602	0.50	2	1.20	Fl. 32.70
ROYAL DUTCH C	Fl. 220	429	8.60	164	12.50 B	2	18	Fl. 228.50
ROYAL DUTCH P	Fl. 250	172	20 A	284	28 A	-	-	Fl. 228.50
UNILEVER C	Fl. 120	681	1.50	221	4.20	14	6.80	Fl. 114
UNILEVER P	Fl. 110	16	1.80	124	4.90	8	6.30 B	Fl. 114

TOTAL VOLUME IN CONTRACTS : 37,943

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	12	City Merchants Bank	12	NatWestminster	12
Adam & Company	12	Clydesdale Bank	12	Northern Bank Ltd	12
AAB - Allied Arab Bk	12	Comm. Bk.N. East	12	Norwich Gen. Trust	12
Allied Irish Bank	12	Co-operative Bank	*12	PRIVATbanken Limited	12
● Henry Ansbacher	12	Coutts & Co	12	Provincial Bank PLC	13
ANZ Banking Group	12	Cyprus Popular Bk	12	R. Raphael & Sons	12
Associates Cap Corp	12	Dunbar Bank PLC	12	Roxburghe G'rantee	11½
Authority Bank	12	Duncan Lawrie	12	Royal Bk of Scotland	12
● B & C Merchant Bank	12	Equatorial Bank plc	12	Royal Trust Bank	12
Banco de Bilbao	12	Exeter Trust Ltd	12½	● Smith & Willmsn Secs.	12
Bank Hapoalim	12	Financial & Gen. Bank	12	Standard Chartered	12
Bank Leumi (UK)	12	First National Bank Plc	13	TSB	12
Bank Credit & Comm	12	● Robert Fleming & Co.	12	UDT Mortgage Exp	‡12.75
Bank of Cyprus	12	Robert Fraser & Ptnrs.	12½	United Bk of Kuwait	12
Bank of Ireland	12	Girobank	12	United Mizrahi Bank	12
Bank of India	12	● Guinness Mahon	12	Unity Trust Bank Plc	12
Bank of Scotland	12	HFC Bank plc	12	Western Trust	12
Banque Belge Ltd	12	● Hambros Bank	12	Westpac Bank Corp.	12
Barclays Bank	12	Heritable & Gen Inv Bnk	12	Whiteaway Laidlaw	12½
Benchmark Bank PLC	12	● Hill Samuel	§12	Yorkshire Bank	12
Berliner Bank AG	12	C. Hoare & Co.	12		
Brit Bk of Mid East	12	Hongkong & Shangh	12		
● Brown Shipley	12	● Leopold Joseph & Sons	12		
Business Mtge Tst	12½	Lloyds Bank	12		
CL Bank Nederland	12	Meghraj Bank Ltd	12		
Central Capital	12	McDonnell Douglas Bnk	12.5		
● Charterhouse Bank	12	Midland Bank	12		
Citibank NA	12	Mount Bnkg Corp.	12		
		Nat Bk. of Kuwait	12		

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MONEY MARKETS

London rates remain steady

INTEREST RATES finished the day virtually unchanged in London yesterday, despite sterling's slightly weaker tone. The pound's fall against the dollar was countered by a general improvement against most European currencies. In addition, better than expected US trade figures reduced the risk of higher US interest rates.

The key three-month interbank rate finished at 12⅛-12 p.c., unchanged from Tuesday,

UK clearing bank base lending rate 12 per cent from August 25 & 26

while the one year rate edged slightly firmer to 12¼-12⅛ p.c. from 12¼-12⅛ p.c. Overnight money traded between a high of 11 p.c. and a low of around 7½ p.c.

The Bank of England forecast a surplus of around £200m, with factors affecting the market including, bills maturing in official hands and a take up of Treasury bills draining £54m, and a rise in the note circulation a further £30m. In addition, banks brought forward balances £35m below target. These were more than offset by Exchequer transactions which added £380m.

The forecast was revised to a surplus of around £150m, but the Bank did not intervene during the morning. A further revision took the surplus forecast back to £100m, and the Bank sold £100m of Treasury bills at 10½-10⅝ p.c., maturing on September 20.

Short-term interest rates fell back from their recent highs in Frankfurt, after a larger than expected cash injection from the Bundesbank. Yesterday's 35-day, 4.25 p.c. repurchase agreement added DM12.6bn to the market, more than offsetting a maturing facility, which drained DM4.1bn.

Call money slipped immediately to 4.85 p.c. from 5.00 p.c. but traders remained cautious. While most institutions had been looking for DM10bn at best, to help through a particularly heavy tax paying period, the extra allocation was partially soured by the Bundesbank's resumption of D-Mark support operations. The authorities were active in the Far East and again in Frankfurt, both in open trading and at the fixing.

This ultimately tightens liquidity, as the Bundesbank sells dollars and draws D-Marks out of the system.

FT LONDON INTERBANK FIXING

(11.00 a.m. Sept.14) 3 months US dollars		6 months US Dollars	
bid 8⅛	offer 8¼	bid 8⅝	offer 8¾

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10
Broker loan rate	9½-¾
Fed funds	8⅛
Fed funds at intervention	-

Treasury Bills and Bonds

One month	7.00	Three year	8.45
Two month	7.29	Four year	8.53
Three month	7.39	Five year	8.60
Six month	7.74	Seven year	8.73
One year	7.89	10-year	8.86
Two year	8.34	30-year	8.94

Sept.14	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.80-4.90	4.75-4.90	4.80-4.95	4.85-5.00	5.15-5.30	5.00
Paris	7⅛-7¼	7⅛-7¼	7⅞-7⅞	7⅞-8⅛	8⅛-8⅛	6.75
Zurich	1⅝-1⅞	3⅛-3⅛	-	3⅛-3⅛	-	-
Amsterdam	5.60-5.62	5.43-5.53	-	5.52-5.62	-	-
Tokyo	3.78125	4.34375	-	4.21875	-	-
Milan	10½-10⅞	11⅛-11⅛	-	11⅛-11⅞	-	-
Brussels	7.50	7⅛-7⅞	-	7⅞-7⅞	-	-
Dublin	7⅛-7⅛	7⅛-7⅞	7½-7⅛	7⅞-8	8⅛-8⅛	-

LONDON MONEY RATES

Sept.14	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	11	10⅜	11⅝	12⅛	12¼	12⅜
Interbank Bid	7½	10⅛	11⅜	12	12⅛	12⅛
Sterling CDs	-	-	11⅛	12⅛	12⅛	12
Local Authority Deps.	10	10	11⅞	12	12⅛	12
Local Authority Bonds	-	-	12	12½	12⅝	12⅝
Discount Mkt Deps.	10	10⅜	11⅜	11⅞	-	-
Company Deposits	-	-	11⅝	12⅛	12¼	12⅜
Finance House Deposits	-	-	11⅝	12⅛	12¼	12⅜
Treasury Bills (Buy)	-	-	11⅛	11⅞	-	-
Bank Bills (Buy)	-	-	11⅞	11⅞	11⅞	-
Fine Trade Bills (Buy)	-	-	11⅞	12⅛	12⅛	-
Dollar CDs	-	-	8.20-8.15	8.30-8.25	8.55-8.50	8.70-8.65
SDR Linked Dep Offer	-	-	7⅝	7⅞	7⅞	8⅛
SDR Linked Dep Bid	-	-	7¼	7⅝	7⅝	7⅞
ECU Linked Dep Offer	-	-	7⅞	7⅞	7⅞	7⅞
ECU Linked Dep Bid	-	-	7½	7½	7⅝	7⅝

Treasury Bills (sell); one-month 11⅛ per cent; three months 11⅛ per cent; Bank Bills (sell): one-month 11⅞ per cent; three months 11⅞ per cent; Treasury Bills; Average tender rate of discount 11.5509 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day Aug.31, 1988. Agreed rates for period September 26,1988 to October 25, 1988, Scheme I: 12.27 p.c., Schemes II & III: 12.72 p.c. Reference rate for period July 30,1988 to August 31, 1988, Scheme IV&V: 11.364 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from September 1, 1988. Bank Deposit Rates for sums at seven days notice 3.75 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7⅛ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 9½ per cent; nine-twelve months 9½ per cent; Under £100,000 7 per cent from July 5,1988. Deposits withdrawn for cash 5 per cent

BUSINESS LAW

Fighting crime on the Street

By Leo Herzel and Daniel Harris

Two recent cases illustrate what works and what doesn't in policing Wall Street. Last July, a stock broker in Connecticut pleaded guilty to criminal charges that he purchased advance copies of Business Week magazine from printing plant employees. He bought stock in companies mentioned favourably in the magazine ahead of the market.

Meanwhile, in Chicago, Staley Continental Inc dropped its racketeering lawsuit against the Wall Street investment banking firm of Drexel Burnham Lambert Inc. Staley had charged Drexel with threatening to promote a hostile takeover of Staley if it did not retain Drexel as its investment banker. The case was settled this month after Staley was taken over by Tate & Lyle. As part of the settlement, Drexel acquired Staley's commodities business.

In general, private civil litigation helps keep US business in line very effectively. However, market professionals, such as investment bankers and arbitrageurs, appear to be conspicuously immune from this threat. Civil litigation has not been successful in controlling misconduct of market professionals. The only practical means for dealing with their abuses seems to be criminal investigation and prosecution.

An important reason for this *de facto* immunity against private suit is that professionals operate out of sight of all who do not belong to their particular inner circle. In takeover litigation, they are outside the line of fire. Bidders are concentrating on targets and their directors and, so too, are shareholder plaintiffs' lawyers. Targets focus on bidders. If there are dishonest market professionals in the game, the intensive discovery process in takeover litigation doesn't seem to be able to reach them.

The Texaco-Pennzoil fight for control of Getty Oil is an interesting example. It was one of the most intensively litigated transactions in history, culminating in a $10.5bn jury verdict against Texaco, which drove the company into bankruptcy. Yet, even with such expensive and highly motivated private litigation, it was left to federal prosecutors to uncover an important fraud by market professionals closely connected with the transaction. Martin Siegel, Gordon Getty's investment banker, was selling inside information about the takeover to Wall Street arbitrageur, Ivan Boesky. In fact, it was Siegel who advised Getty to break his contract with Pennzoil and sell for more to Texaco.

Outside takeover litigation, the private incentives for ferreting out crime on Wall Street are just not high enough. But once a crime is discovered, there are usually plenty of plaintiffs' lawyers ready to file civil class actions. There is also the problem that, except in crisis situations, such as takeovers, those who have the most economic might are not likely to want to sue market professionals. Staley's lawsuit was unusual and is not likely to encourage others.

To fill this gap, there has been a tremendous expansion of Securities and Exchange Commission (SEC) enforcement procedures and federal criminal prosecutions of wayward market professionals. Prosecutors and the SEC do not have the same difficulties as civil litigants. They have powerful discovery procedures in place without litigation. They can monitor the market through sophisticated data bases and reports from informants. If something appears to be amiss, they can subpoena records and witnesses without having to initiate any formal or public complaint. Once suspicion focuses, they can — with a warrant — tap telephones, place hidden listening devices in offices or search files. The recent racketeering indictment of Newport Partners, for engaging in allegedly fraudulent transactions with Drexel, is a good example. According to press reports, the indictment was based, in large measure, on secretly recorded telephone conversations.

Civil litigants, by contrast, do not have the tools or, except in takeover crises, the motivation to penetrate the conspiracy of silence that shields market fraud. Document requests, depositions, and interrogatories may be enormously revealing when used against ordinary business or financial companies, but they are not as effective against dishonest market professionals who do their business on the telephone and lie about what was said.

Another important tool in criminal investigations is the use of secret informants, often members of the conspiracy who have been detected and persuaded to co-operate. Ivan Boesky, for example, secretly recorded his telephone conversations at the government's behest in the months before his indictment and simultaneous guilty plea was announced. The government has big advantages over private litigants in enlisting witness co-operation: it can offer immunity from prosecution or reduced prison terms.

Also, prosecutors can use much broader laws than those available to civil litigants. All that is required is proof that the defendant, using the mail or telephone wires, tried to obtain the property of another through deception or other means contrary to the good morals of society. Moreover, the definition of property in the mail and wire fraud statutes is very wide.

A good illustration of these legal advantages is the case of the Wall Street Journal reporter who gave stock traders advance word of the contents and publication dates of his influential "Heard on the Street" column. Last year, the Supreme Court unanimously held that he was guilty of mail and wire fraud because he was embezzling the property of the newspaper — the confidential information about what was to appear in his column. The column was transmitted by wire to the Journal's printing plants and then mailed to subscribers.

Another advantage of the criminal law is that it reaches conspiracies and attempts. An agreement to commit mail or wire fraud, for example, plus one overt act in the furtherance of the plan is sufficient to convict all the parties to the agreement — certainly sufficient to terrify potential informants into co-operation. Also, once a conspiracy has been established, any person who takes any step in knowing furtherance of any part of the scheme may be deemed a member of the conspiracy.

RICO, the federal racketeering statute is, in many important respects, a prime example of a miserable statute, but it does give prosecutors special advantages. Racketeering is broadly defined. It includes the operation of an enterprise (which may be an informal conspiracy) which includes the commission of a pattern of crimes, for example, mail or wire fraud within a 10 year period. A RICO enterprise may involve many people and many crimes — some that are only loosely related — over a long period. The statute permits all these matters to be tried together, which enhances the likelihood of convictions. RICO's 20 year prison term and special civil forfeiture provisions multiply these prosecutors' advantages.

The profits from insider trading are so immense — Lee made $19m in about ten months — that criminal and civil penalties are probably necessary as a deterrent. If the only sanction an insider faced was the loss of his job, it is likely that many more would think that insider trading was a good bargain.

The US Court of Appeals in New York has held that civil damages in insider trading cases should be determined by the defendant's profits or losses avoided, not by the change in the market while the insider was buying or selling. Congress followed a similar approach with regard to the civil penalties that may be awarded to the government under the Insider Trading Sanctions Act of 1984, and these penalties may be trebled. Congress and the SEC have been debating a number of bills defining insider trading. The most recent bill takes the same approach to defining the nature of the harm and the damages. There appears to be a growing consensus that the real evil of insider trading is not that it cheats less informed investors, but that it exploits the theft of information and breaches the trust between principal and agent upon which society depends.

If that is correct, as we think it is, a legitimate question under the US federal system is — why don't state laws against theft and breach of trust suffice? The answer appears to be mainly that an elaborate nationwide and international enforcement system is required to ferret out sophisticated insider trading schemes.

Local authorities generally lack the resources to monitor the stock market and the sophistication to unravel complex financial transactions.

The authors are partners in the Chicago law office of Mayer, Brown & Platt

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Bishopsgate Progressive Mgmt Co (1200)F
15 St James' Place, London SW1A 1NW 01-493 8111

European Growth	5	17.91	17.91d	19.07	----	1.31
International	5	90.98	90.98d	96.69	----	1.62
Japan	5	139.5	139.5	148.5	----	0.01
Pacific	5	117.8	117.8	231.9	----	0.30
Secs of America	5	182.6	182.6	194.4	----	1.12
W'wide Asset Val	5	26.99	26.99d	28.79	----	1.04
Specialist Trusts						
Asset Value	5	306.0	307.8	327.8	----	3.04
Conv & Gilt	5	35.99	36.62d	38.99	----	6.36
Smaller Co's	5	161.0	161.0	171.4	----	2.06
2nd Smaller Co's	5	181.1	182.1d	192.8	----	2.03
Recovery	5	95.59	95.59	101.8	----	2.83
Met Min & C'dty	5	103.6	103.6	110.3	----	1.37
O'seas Earnings	5	200.9	200.9	213.9	----	3.27
Technology	5	86.46	86.46	92.07	----	1.57
UK Special Sits	5	242.2	242.2d	257.9	----	2.80

Progressive Inc	5	15.36	£15.59	16.45		-2.66
Progressive Acc	5	21.55	£21.88	23.09		-2.66
International Inc	5	16.00	£16.00	16.89	+0.27	1.93
International Acc	5	20.16	£20.16	21.28	+0.34	1.93
Can & Foreign Inc	5	187.1	187.1	197.5		-2.34
Can & Foreign Acc	5	208.5	208.5	220.1		-2.34
Special Sits Inc	5	160.0	160.0	168.9		-2.06
Special Sits Acc	5	160.0	160.0	168.9		-2.04

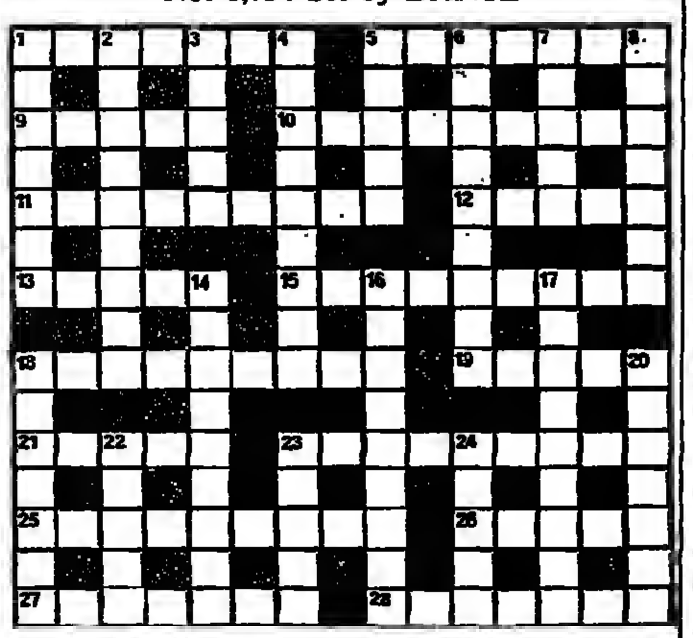
Brewin Dolphin Unit Tst Mgrs Ltd (0905)F
5 Giltspur St, London EC1A 9DE 01-248 4400

Brewin Capital	5½	171.0	182.3	193.9	-0.3	1.62
Brewin Dividend	5½	91.85	96.26	102.4	-0.5	6.10
Brewin Int Gth Inc	5½	199.0	208.9	222.2		-1.69

JOTTER PAD

CROSSWORD

No. 6,734 Set by DANTE



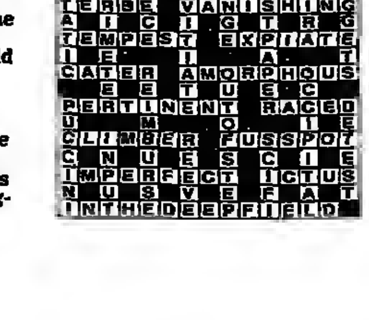
ACROSS

1 Regular soldiers have to assume it (7)
5 Evidence of a leak? Tell the attendant! (7)
9 Soundly study an English novelist (5)
10 Spiritually uplifted (9)
11 Ring-fighter pleased one, given a high place (9)
12 The depth of depression (5)
13 Emperor gave America the bird early on (5)
15 Carried shoulder-high by old soldiers on promotion (9)
18 Set fire to one outhouse – polished it off (9)
19 Get down to an unofficial occupation (5)
21 Brew of beer left to rise (5)
23 It may be cast in two ways, so he or she makes it (9)
25 He rang the bells for Low Sunday (9)
26 Pervasive quality of a European city (5)
27 Level betting includes the French teams (7)
28 When the graceful child arrived (7)

DOWN

1 Honourable post? (7)
2 I can't earn redress, as the race was easily won (2,1,6)
3 Nigerian tribesman comes up holding the Spanish daggers (5)
4 Temporary growth of young consumers (4,5)
5 Cut and serve out (5)
6 Involves ten different points of view (9)
7 Cadet behaved badly (5)
8 Provide some backing with one's name (7)
14 Painting that lacks humanity? (5,4)
16 Plant is a creeper, worth being pruned (9)
17 The superstitions do make light of it (5-4)
18 Nothing in the ship is of extravagant style (7)
20 They admit blame for hospital treatment (7)
22 Burn a mark on a horse (5)
23 Eye-catching gadgets (5)
24 Girl's come round about the advertisement, miss (5)

Solution to Puzzle No.6,733



GUIDE TO UNIT TRUST PRICING

The data included under the Authorised section of the FT Unit Trust Information pages is being expanded to improve the service to readers and to conform with new legislation.

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♣ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that prices are set on a historic basis. This means that, unless there has been an intervening portfolio revaluation, investors can normally buy and sell units today at the prices appearing in the newspaper which have been set on the basis of yesterday's asset value.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Swiss Life Pen Tst Man Co Ltd (1000)H						
99-101 London Rd, Sevenoaks 0732 450161						
Equity Dist	5	323.9	318.7	337.2	-2.0	3.10
Equity Acc	5	402.9	409.8	432.8	-2.6	3.10
Fixed Int Dist	5	123.9	127.9	121.7	—	9.10
Fixed Int Acc	5	204.7	208.2	215.8	+0.3	9.18
TSB Unit Trusts (y) (1000)F						
Charlton Pl, Andover, Hants. SP10 1RE 0264 63434						
TSB American	5	99.19	99.19	105.40	+0.64	2.14
Do Accum	5	106.46	106.46	115.13	+0.75	2.14
TSB Brit Growth	5	52.50	52.50	55.85	-0.35	3.39
Do Accum	5	54.20	34.20	57.66	-0.36	3.39
TSB European	5	49.49	49.49	52.65	+0.36	1.17
Do Accum	5	50.84	50.84	54.09	+0.38	1.17
TSB Extra Income	5	139.75	141.05	150.05	-1.13	6.03
Do Accum	5	179.74	182.07	193.69	-1.45	6.03
TSB Smaller Cos	5	51.41	53.00	56.38	-0.83	1.22
Do Accum	5	52.32	53.94	57.38	-0.03	1.22
TSB General	5	168.07	168.07	179.65	-0.57	3.49
Do Accum	5	292.31	292.31	310.97	-1.00	3.49
TSB Gilt & Fxd Int	3¾	46.97	46.97	48.47	+0.05	9.09
Do Accum	3¾	70.76	70.76	73.18	+0.07	9.09
TSB Income	5	248.81	248.81	264.69	-3.49	5.28
Do Accum	5	415.88	415.88	442.43	-5.84	5.28
TSB Pacific	5	205.64	204.63	217.69	+1.42	0.32
Do Accum	5	211.72	212.75	226.33	+1.47	0.32
TSB Intntl	5	318.12	314.00	330.36	+1.57	1.04
Do Accum	5	400.16	401.28	426.89	+1.98	1.04
TSB Nat Resources	5	59.60	60.13	63.97	+0.30	1.42
Do Accum	5	62.45	63.21	67.24	+0.30	1.42
TSB Scial Opps	5	73.47	75.47	80.29	-0.41	2.49
Do Accum	5	86.12	86.12	91.62	-0.48	2.49
Target Trust Mngrs Ltd (1600)H						
Target Hse, Gatehouse Rd, Aylesbury, Bucks.						
Admin: 0296 394000 Dealing: 01-370 0660						
American Eagle	5	63.75	63.75	68.17	+0.47	0.87
Australia	5	7.488	7.488	8.005	+0.16	0.10
Commodity	5	73.44	73.44	79.27	+0.91	1.62
Convertible	5	139.6	134.6xd	150.4	+0.40	5.06
Equity	5	142.9	142.9	154.2	—	3.39
Euro Spec Sits	5	77.01	77.01	82.85	+0.61	1.64
Financial	5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Bid Price	Offer Price	+ or -	Yield Gross
MIM Ltd				
Mngd Pens (Acc)	53.2	56.7	+0.2	0.80
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Sept 14	39.9	41.4	+0.0	2.30
Euro Expt Sept 14	39.8	41.7xd	+0.0	2.73
Fixed Int Ex Sept 14	48.2	50.4	+0.0	9.72
Japan Expt Sept 14	52.4	54.5	+0.0	0.47
Managed Ex Sept 15	57.5	59.0	-00.8	4.66
SE Asia Expt Sept 14	36.4	38.2	+0.0	1.98
Sm Cos Expt Sept 14	42.5	44.6	+0.0	2.81
UK Eqty Ex Sept 14	34.3	36.0xd	+0.0	4.23
New Court Property Fund Managers				
NC Property	189.5	199.3	—	—
Phillips & Drew Fnd Management Ltd				
PDFM Sept Co Fd	771.6	817.0	—	3.75
Do Accum	795.0	844.0	—	3.75
PDFM Int Expt Sept 8	123.0	125.7	—	2.63
J. Rothschild Fund Managers Ltd				
Intl Exempt	91.60	92.75	—	2.90

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
AA Friendly Society				
Investment Mngt H & G Inv Mngt Ltd				
AA Friendly Sy Aug 12	—	134.91	—	—
Abbey Life Assurance Co Ltd				
80 Holdenhurst Road, Bournemouth 0202 292373				
Prop. Ser. 1	257.6	271.2	—	—
Equity Ser. 1	110.2	116.0	—	—
Prop. Acc. Ser 2	373.1	392.8	—	—
Equity Ser 2	125.1	131.7	—	—

OTHER UK UNIT TRUSTS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

	Bid Price	Offer Price	+ or -	Yield Gross
Phoenix Assurance Co Ltd				
Phoenix House, Redcliff Hill, Bristol 0272 294941				
Life Assurance Funds				
Wealth Assd.	382.5	402.8	+1.9	–
Eb'r Ph. Eq.	344.2	366.6	----	–
Pension Plan Funds				
Phoenix				
UK Equity Acc.	164.1	172.7	+0.1	–
International Acc.	140.0	148.2	+0.9	–
Property Acc.	147.4	155.1	+0.2	–
Fixed Interest Acc.	154.3	162.4	+0.2	–
Money Acc.	143.8	151.3	+0.1	–
Bldg. Soc. Link Acc.	140.6	148.8	+0.1	–
Special Mnged Acc.0	150.3	158.4	+0.4	–
Phoenix/Framlington				
Intnl Growth Acc.	88.30	92.90	+0.50	–
Am. Smllr Cos. Acc.	88.40	93.00	+0.60	–
Capital Tst. Acc.	170.2	179.1	+0.1	–
Japan & Gen Acc	190.8	200.8	+1.2	–
American Turn. Acc.	96.90	102.0	+0.4	–
Recovery Tst. Acc.	175.0	184.2	+0.2	–
Special Mngd Acc.	146.0	134.3	+0.1	–
Phoenix/GT				
International Acc.	133.1	140.1	+1.0	–
US & General Acc.	87.80	92.40	+0.40	–
Amer Spec Sits Acc.	67.20	70.70	+0.70	–
Japan & General Acc.	192.7	202.8	+0.3	–
Far East & Gen. Acc.	137.1	144.3	+1.0	–
UK Capital Acc	169.9	178.8	+0.1	–
European Acc	141.3	150.8	+1.3	–
Special Mngd. Acc.	126.1	132.7	+0.1	–
Pioneer Mutual Insurance Co Ltd				
16 Crosby Rd, N Waterloo, Liverpool 051-928 6655				
Managed Fund	255.0	269.3	-3.0	–
Man Pens Inc & Cap Fds	322.3	339.3	-5.1	–
Money Fund	114.1	120.2	+0.2	–
Pens Mngd Fd (Init)	85.4	89.9	-2.1	–
Pens Mngd Fd (Acc)	99.0	104.3	-2.1	–
Pens FT30 Fd (Init)	121.6	128.0	-1.6	–
Pens FT30 Fd (Acc)	141.8	148.3	-1.7	–
Pens O'seas MgFd(Init)	59.6	62.8	+1.1	–
Pens O'seas MgFd(Acc)	69.1	72.8	+1.3	–
Pens Fxd Int Fd (Init)	101.8	107.2	+0.2	–
Pens Fxd Int Fd (Acc)	118.2	124.5	+0.6	–
Pens Deposit Fd (Init)	101.7	107.1	----	–
Pens Deposit Fd (Acc)	118.0	124.3	+0.1	–
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath 0444 458721				
American	104.0	110.0	+3.0	–
Building Soc. Fd.	163.0	172.0	----	–
Balanced	242.0	255.0	+1.0	–
Deposit	163.0	172.0	----	–
European	129.0	136.0	+2.0	–
GT Managed	149.0	157.0	+1.0	–
Gartmore Mngd.	101.0	107.0	+1.0	–
German	92.0	97.0	+1.0	–
Gilt	163.0	172.0	----	–
High Inc.	107.8	113.0	----	–
International Equity	154.0	163.0	+1.0	–
Japan	216.0	228.0	+1.0	–
Managed	54.0	57.0	----	–
Property	265.0	279.0	----	–
O. W. Imperial Gold	126.0	133.0	----	–
UK Equity	313.0	330.0	+1.0	–
Pension Funds				
American	134.0	142.0	----	–
Building Soc. Fd	156.0	165.0	----	–
Balanced	185.0	195.0	----	–
Deposit	153.0	162.0	----	–
European	124.0	131.0	----	–
GT Managed	157.0	166.0	----	–
Gartmore Mngd.	98.0	104.0	----	–

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

UK LISTED

OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
99	83	Redemption 3pc 1986-96	99¼xd	......	—	—
100¼	99	Treas. 9½pc '88	99	......	9.5	11.27
102	99	Treas 11½pc 1989	99	−1/32	11.5	11.46
101	98	Treas 9½pc Cnv 1989	98xd	−1/32	9.6	11.43
97⅛	95	Treas 3pc 1989	96	+1/8	3.1	9.09
102	99	Treas 10½pc 1989	99	......	10.5	11.44
102	98	Exch. 10pc 1989	98	......	10.1	10.39
103	99	Exch 11pc 1989	99⅛xd	......	11.0	11.26
97	94⅛	Treas 5pc 1986-89	95xd	+1/8	5.2	9.98
104	98¼	Exch 10¼pc Cv '89	99	−1/16	10.3	11.06
107½	102¼	Treas 13pc 1990	102	......	12.7	10.66
104¼	100	Exch 11pc 1990	106½	......	10.4	10.56
107	102	Exch. 12½pc 1990	102½xd	−1/16	12.2	10.70
93	90	Treas. 3pc 1990	90	+1/8	3.30	9.14
99	95	Treas 8¼pc 1987-90	96	......	8.57	10.60
102½	95	Treas. 8pc Cv 1990	96	+1/32	8.26	9.87
103	98	Treas. 10pc Cv 1990	98	......	10.13	10.68
91	87	Exch 2½pc 1990	87¼	+1/8	2.85	8.84
107¼	101	Treas 11¼pc 1991	102⅛	......	11.50	10.62
95	90	Funding 5¾pc '87-91	90xd	+1/16	6.35	10.01
90	86	Treas. 3pc 1991	86	+1/16	3.48	8.89
105	98	Treas 10pc Cv '91	98	......	10.11	10.43
107	100	Exch. 11pc 1991	101⅛	+1/32	10.87	10.52
98	92	Treas. 8pc 1992	93	......	8.58	10.50
113	105	Treas 12¾pc 1992	106	+1/32	11.99	10.43
104	98	Treas 10pc 1992	98	+1/32	10.11	10.37
98	92	Treas. 8pc 1992	92xd	+1/16	8.60	10.39
106¼	99½	Treas 10½pc Cv 1992	100	+1/32	10.48	10.41
86	82¼	Treas. 3pc 1992	82	+1/32	3.64	8.61
112	104	Exch. 12¼pc '92	105	+1/32	11.58	10.42
117	108	Exch 13½pc 1992	109¾xd	+1/16	12.30	10.45
97	91	Treas 8¾pc 1993	92	......	8.91	10.35
105	97	Treas 10pc 1993	98xd	+1/16	10.11	10.31
115	107	Treas 12½pc 1993	107	+1/32	11.59	10.37
		Five to Fifteen Years				
93	88	Funding 6pc 1993	88½xd	+1/32	6.80	8.98
121	112	Treas 13¾pc 1993	112	+1/32	12.18	10.44
101	91	Treas. 8½pc 1994	92½	......	9.20	10.35
44	41	Tr 8½pc 1994 'A' (50% pd)	42¾	+1/32	9.20	10.37
125	115	Treas 14½pc 1994	116	+1/16	12.42	10.37
120	111	Exch 13½pc 1994	112	−1/32	12.02	10.52
105	98	Treas. 10pc Ln. 1994	98	−1/32	10.11	10.24
116	107	Exch. 12½pc 1994	108	+1/32	11.50	10.49
101	93	Treas 9pc 1994	94	+1/32	9.51	10.17

BRITISH FUNDS—Contd

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		Undated				
44	41	Consols 4pc	42	+1/16	9.37	—
39	37	War Loan 3½pc	37	+1/16	9.23	—
57½	48	Conv. 3½pc '61 Aft.	57½xd	+1/8	6.09	—
33	30	Treas. 3pc '66 Aft.	31xd	+1/16	9.39	—
28	26⅛	Consols 2½pc	27xd	+1/16	9.26	—
28	26⅛	Treas. 2½pc	27xd	+1/16	9.26	—
		Index-Linked				
		(b)			**(1)**	**(2)**
121	117½	Treas 2pc IL '90(84.6)	121	+1/8	1.10	2.94
103	99	Do. 2pc '92(97.8)	101xd	+1/8	2.80	3.52
96	92½	Do. 2 '94 (102.9)	93	+1/8	3.15	3.59
139½	127½	Do. 2pc '96(67.9)	136½xd	+1/8	3.28	3.58
114	103	Do 2½pc '01(78.3)	112xd	+1/8	3.77	3.99
111	101	Do. 2½pc '03(78.8)	110	+1/8	3.81	4.01
114	102½	Do. 2pc '06(69.5)	111	+1/8	3.82	3.99
105	95	Do. 2½pc '09(78.8)	104	+1/8	3.83	3.99
109	99	Do. 2½pc '11(74.6)	108	+1/8	3.8	
91	82	Do. 2½pc '13(89.2)	89	+1/4	3.8	
98	88	Do. 2½pc '16(81.6)	96	+1/4	3.7	
96	87	Do. 2½pc '20(83.0)	94xd	+1/4	3.7	
81½	72	Do. 2½pc '24(97.7)	79	+1/8	3.7	

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for December 1987:103.3 and for July 1988:106.7

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
109	100	African Dv Bk 11¼ Ln 2010	103	+1/8	10.8	
104	96	Asian Dev Bk 10¼pc Ln 2009	98	+1/8	10.3	
129	120	Australia 13½pc 2010	123	+1/4	10.9	
112	103	Do. 11¾pc Ln 2015	107	+1/4	10.6	
110	103	Euro Inv Bk 11pc Ln 2002	104	+1/8	10.5	
105	98	Do. 10½pc 2004	99	+1/8	10.4	
120	112	Int-Am Dev Bk 12½pc 2003	114	+1/8	10.9	
99	91	Do. 9½pc Ln 2013	94	+1/16	10.3	

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1988 High	Low	Stock	Price £	+ or −	Div % Gross	Red. Yield
45	33	Greek 7pc Ass.	45	......	3.50	17.78
45	33	Do. 6pc 28 Stb. Ass.	45xd	......	3	16.67
45	33	Do 4pc Mixed Ass.	45xd	......	2	14.44
75	63	Hung. '24 Ass.	75	......	2.75	13.67
140	128	Hydro Quebec 15pc 2011	133	+1/8	15.00	10.96
128¼	118	Iceland 14½pc Ln 2016	125	+1/8	14.50	11.43
101¼	95	Ireland 9¾pc '91-96	95¼xd	−1/8	9.75	10.65

AMERICANS

1988 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
29⅛	22¼	Abbott Laboratories§	28½xd	−1/8	$1.20	—	2.5
649p	405p	Allegheny & W 1c	436p	+2	30c	—	4.0
14	862p	Amax $1	12½	......	020c	—	0.9
13	8	Amdahl 5c	11¼xd	−1/8	b10c	—	0.5
31⅝	22	Amer. Cyanamid $5	28¼	−1/8	$1.20	—	2.5
17½	11¼	Amer. Express 60c	17¼xd	......	76c	—	2.6
10	668p	Amer. Medical Int. $1	983p	+12	72c	—	4.3
17¼	13	American T. & T. $1	14	......	$1.20	—	4.7
54¼	44	Ameritech $1	54½	+1/8	$5.40	—	5.8
28	16½	Amfac§	27½	+1/8	—	—	—

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

AMERICANS—Contd

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
27⅛	22⅞	Texas Instr. $1	23½	.....	72c	—	1.8
60¼	43¼	Time Inc. $1	56½xd	+⅛	$1.00	—	1.0
20⅞	15⅞	Transamerica $1	20⅞xd	+⅛	$1.84	—	5.2
20⅛	14½	TRINOVA Corp.	15⅝xd	+½	64c	—	2.9
19	15⅛	USX $1	16⅛	–⅛	$1.20	—	4.3
23	17⅝	Utd. Technologies	22½xd	+⅛	$1.60	—	4.2
33½	26¾	US West‖	32¼	.....	$3.52	—	6.4
23⅝	16⅞	Waste Management $1	23¼xd	+⅛	48c	—	1.2
16⅞	12⅞	Whirlpool $1	14⅞	.....	$1.10	—	4.4
32⅛	18¼	♦Woolworth $3½	30½	+1⅛	$1.64	—	3.2

CANADIANS

High	Low	Stock	Price	+ or –	Div Gross	C'vr	Y'ld Gr's
309p	173p	ABM Gold Corp ‖	196p	.....	—	—	—
32p	11p	♦Abbot Energy Corp.	15½p	.....	—	—	—
14¼	941p	♦Amer. Barrick Res.	952p	+11	—	—	—
10p	3½p	American Lightwave	4p	.....	—	—	—
47p	14p	♦Armeno	15p	.....	—	—	—
76p	45p	Augmitto Expln.	45p	–2	—	—	—
13⅞	10⅜	Bk. Montreal ‖	13⅜	.....	$2.00	—	7.1
702p	514p	Bk. Nova Scot.‖	696p	–6	76c	—	5.3
18⅜	15¼	BCE ‖	17⅜xd	+⅛	$2.44	—	6.7
716p	591p	♦Bow Valley‖	661p	+12	♦40c	—	2.9
13⅝	10½	♦Brascan‖	12	.....	88c	—	3.6
328p	189p	♦Breakwater Res.	200p	.....	10c	—	2.4
11¼	801p	Can. Imp Bank‖	11⅛	.....	$1.16	—	4.8
11½	841p	Can. Pacific ‖	970p	+18	60c	—	3.0
41½	40	Do. 4pc Deb £100	40½	.....	4%	—	9.9
515p	362p	Central Capital "A" ‖	470p	.....	—	—	—
485p	393p	♦Corona Corp.	399p	+6	—	—	—
886p	288p	Cons TVX Min.	327p	.....	—	—	—
369p	76p	Danbus Res.	369p	+6	—	—	—
686p	430p	Derlan Inds.	571p	+5	11.75c	—	1.0
14½	947p	♦Echo Bay Mines	958p	+11	$0.07	—	0.4
40p	15p	Energex Minerals	17p	.....	—	—	—
125p	83p	Euro-Asia Capital Ltd.	95p	–3	—	—	—
386p	222p	♦Galactic Resources	298p	.....	—	—	—
125p	90½p	♦Geodome Res.	93p	.....	—	—	—
394p	181p	Granges Explo‖	181p	–10	—	—	—
17p	8½p	♦Gt Pacific Res.	8½p	.....	—	—	—
903p	652p	♦Gulf Canada‖	803p	–7	52c	—	3.1
12⅜	816p	♦Hawker Sid Can‖	10⅜	+⅛	$1.00	—	4.9
590p	344p	Henlys Group	470p	.....	—	—	—
957p	785p	♦Hudson's Bay ‖	893p	.....	60c	—	3.3
28	22⅞	♦Imperial Oil‖	24⅛	–½	$1.60	—	3.6
20⅞	10⅛	Inco‖	15⅜	+⅛	US$0.80	—	3.0
718p	462p	♦Inland Nat. Gas $1	559p	+11	60c	—	5.2
250p	150p	Madeleine Mines	164p	–3	—	—	—
207p	126p	♦Muscocho Expln.	188p	–3	—	—	—
187p	65p	♦Nat Business Syst.‖	77p	–6	—	—	—
245p	110p	♦Nevada Goldfields	179p	.....	—	—	—
12	787p	♦Rio Algom	10	.....	$1.30	—	6.3
16½	11½	Royal Bk. Can. ‖	16½	.....	$2.08	—	6.1
34⅛	26⅞	Seagram‖	31⅞	–⅛	US$1.20	—	2.2
361p	162p	♦Sonora Gold Corp‖	167p	+5	—	—	—
121p	18p	Spiral Eng.	90p	.....	—	—	—
150p	35p	Tam Pure Tech. Corp. ‖	116½p	–1½	—	—	—
17¼	11⅞	Toronto-Dom. Bk.‖	17¼	.....	$1.12	—	3.2
64p	12p	♦Trans Atlantic Res ‖	12p	.....	—	—	—
684p	566p	♦Trans Can Pipe	613p	–6	68c	—	5.4
205p	127p	Varity Corp‖	197p	.....	8	—	—

BANKS, HP & LEASING

1988 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*243	124	ANZ $A1	243	+10	†Q21c	3.1	4.2	7.7
281	200	Allied Irish	240	+5	†Q29%	3.1	6.9	7.6
£13⅛	£10⅞	Algemene Fl.10	£12⅛	–⅛	Q27%	1.9	6.3	—
73	58	Anglo Irish	65	.....	Q19.6%	1.2	6.3	20.3
90	64	Ansbacher (H.) 1p	83	+1	2.0	—	3.2	—
£40½	£24⅝	Banco de Bilbao S.A.	£35⅝	.....	Q67.2%	3.1	4.7	6.8
£35⅝	£27⅞	Banco de Santander	£30⅛	.....	Q22%	2.4	1.7	24.1
*268	184	Bank Ireland Ir£1	223	–3	Q15.67%	3.3	5.9	6.9

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

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LONDON SHARE SERVICE

LEISURE—Contd

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish Stocks, the latter being quoted in Irish currency.

IRISH

TRADITIONAL OPTIONS

3-month call rates

Industrials

Property

Oils

Mines

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £900 per annum for each security.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Sep 14 1988 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Tue Sep 13 Index No.	Mon Sep 12 Index No.	Fri Sep 9 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (210)	760.59	+0.2	10.89	4.29	11.39	17.69	759.86	755.33	752.44	960.43
2 Building Materials (29)	956.40	+0.3	12.27	4.51	10.04	21.96	953.74	952.76	943.83	1172.93
3 Contracting, Construction (37)	1523.50	+0.1	11.30	3.65	11.53	29.01	1521.28	1516.22	1514.39	1789.83
4 Electricals (12)	2074.85	+0.1	9.70	4.95	12.62	53.70	2072.36	2069.11	2068.21	2481.44
5 Electronics (28)	1662.59	+0.3	10.71	3.74	12.01	40.42	1656.85	1635.51	1624.94	2023.74
6 Mechanical Engineering (58)	397.49	-0.5	10.43	4.42	11.88	9.39	399.63	398.59	398.25	514.75
8 Metals and Metal Forming (7)	460.86	-0.2	10.55	4.20	11.72	7.95	461.95	468.24	459.37	570.81
9 Motors (16)	263.64	......	12.30	5.81	9.32	7.06	263.75	262.64	262.37	391.82
10 Other Industrial Materials (23)	1260.83	+1.0	9.46	4.59	12.61	30.04	1248.33	1244.02	1241.93	1684.16
21 CONSUMER GROUP (185)	1033.05	+0.6	9.64	3.86	13.09	19.52	1027.91	1023.49	1021.05	1523.51
22 Brewers and Distillers (21)	1066.91	+0.6	10.95	3.82	11.52	20.86	1061.03	1057.59	1057.43	1200.79
25 Food Manufacturing (21)	927.55	+1.5	9.53	4.05	13.33	17.99	915.54	908.67	905.43	1015.10
26 Food Retailing (16)	1846.90	-0.6	9.37	3.61	14.09	38.49	1857.31	1849.10	1854.69	2429.60
27 Health and Household (12)	1814.24	+0.3	6.92	2.71	16.77	10.01	1808.29	1807.24	1801.31	2544.99
29 Leisure (30)	1295.19	+0.9	9.52	3.95	13.48	29.54	1284.06	1273.20	1262.26	1389.77
31 Packaging & Paper (17)	492.52	-0.4	10.63	4.35	12.08	10.47	494.64	490.25	487.12	669.79
32 Publishing & Printing (18)	3300.81	+0.4	8.96	4.63	13.93	73.53	3286.42	3273.59	3264.57	4635.11
34 Stores (34)	749.63	+1.0	11.12	4.42	11.23	15.59	742.20	737.36	735.54	1082.67
35 Textiles (16)	534.68	-0.1	12.92	5.11	9.08	12.69	535.31	536.37	537.27	842.91
40 OTHER GROUPS (93)	866.27	+0.3	11.57	4.60	10.55	20.21	863.37	858.09	855.25	1128.30
41 Agencies (19)	1015.03	+0.3	8.93	2.76	14.15	18.11	1011.96	1009.64	1008.16	1701.76
42 Chemicals (21)	1037.01	+0.5	12.33	4.91	9.74	35.79	1032.22	1025.27	1018.48	1468.78
43 Conglomerates (13)	1179.73	-0.1	10.85	4.59	10.64	24.52	1180.62	1172.33	1163.38	1445.79
45 Shipping and Transport (12)	1808.81	......	12.00	4.97	11.01	35.65	1809.33	1809.80	1806.51	2262.61
47 Telephone Networks (2)	926.48	+0.5	11.99	4.81	10.82	20.38	922.27	915.45	915.99	1051.80
48 Miscellaneous (26)	1190.11	+0.7	11.83	4.55	9.63	24.75	1182.23	1173.19	1169.99	1685.66
49 INDUSTRIAL GROUP (480)	929.22	+0.4	10.51	4.38	15.83	19.77	925.43	920.84	918.65	1190.65
51 Oil & Gas (12)	1748.26	+0.9	10.85	6.19	11.80	64.62	1733.28	1693.19	1681.40	2204.62
59 500 SHARE INDEX (500)	998.61	+0.5	10.56	4.46	11.83	23.54	993.91	986.43	982.91	1276.77
61 FINANCIAL GROUP (122)	666.51	+0.2	–	5.26	–	21.00	665.38	662.75	660.52	837.33
62 Banks (8)	642.64	+0.7	22.28	6.79	6.02	30.77	638.24	636.89	633.95	823.34
65 Insurance (Life) (8)	999.26	-0.7	–	5.14	–	26.91	1006.22	999.59	998.13	1134.82
66 Insurance (Composite) (7)	514.24	-0.8	–	6.07	–	18.42	518.36	516.42	512.84	651.78
67 Insurance (Brokers) (7)	914.53	-0.5	20.48	6.96	12.35	32.03	918.99	914.05	907.89	1215.32
68 Merchant Banks (11)	322.67	+1.0	–	4.44	–	7.09	319.40	318.88	318.54	493.67
69 Property (51)	1166.65	+0.5	5.68	2.77	22.56	16.08	1161.07	1153.91	1153.31	1313.06
70 Other Financial (30)	354.26	+0.3	10.95	5.52	11.48	10.24	353.12	352.76	351.55	564.03
71 Investment Trusts (78)	892.16	+0.4	–	3.17	–	14.93	883.17	888.12	884.81	1155.25
81 Mining Finance (2)	525.09	+0.8	9.96	3.79	11.24	0.12	521.11	509.51	513.03	696.52
91 Overseas Traders (8)	1171.02	-0.2	9.81	4.77	15.97	35.31	1173.28	1178.05	1162.17	1228.38
99 ALL-SHARE INDEX (710)	914.46	+0.4	–	4.54	–	22.40	910.61	904.40	901.25	1165.19

	Index No.	Day's Change	Day's High	Day's Low	Sep 13	Sep 12	Sep 9	Sep 8	Sep 7	Year ago
FT-SE 100 SHARE INDEX ♦	1765.1	+8.8	1770.8	1750.1	1756.3	1744.6	1738.4	1739.8	1756.1	2279.0

FIXED INTEREST

PRICE INDICES	Wed Sep 14	Day's change %	Tue Sep 13	xd adj. today	xd adj. 1988 to date
British Government					
1 5 years	118.92	+0.06	118.86	–	8.55
2 5-15 years	134.71	+0.10	134.57	–	9.42
3 Over 15 years	144.20	+0.38	143.85	–	10.59
4 Irredeemables	164.69	+0.25	164.28	–	8.84
5 All stocks	132.05	+0.10	131.92	–	9.33
Index-Linked					
6 5 years	126.47	+0.25	126.16	–	1.82
7 Over 5 years	119.87	+0.27	119.54	–	2.65
8 All stocks	120.24	+0.27	119.91	–	2.57
9 Debentures & Loans	115.57	-0.05	115.63	–	7.37
10 Preference	89.93	-0.10	90.01	–	3.74

AVERAGE GROSS REDEMPTION YIELDS		Wed Sep 14	Tue Sep 13	Year ago (approx.)
British Government				
1 Low	5 years	9.97	9.98	9.65
2 Coupons	15 years	9.62	9.64	9.93
3	25 years	9.32	9.34	9.78
4 Medium	5 years	10.38	10.39	10.39
5 Coupons	15 years	9.86	9.88	10.20
6	25 years	9.57	9.59	9.98
7 High	5 years	10.52	10.54	10.47
8 Coupons	15 years	10.00	10.01	10.36
9	25 years	9.56	9.57	10.02
10 Irredeemables		9.26	9.28	10.00
Index-Linked				
11 Inflation rate 5%	5yrs	3.38	3.40	3.38
12 Inflation rate 5%	Over 5 yrs	3.92	3.94	4.02
13 Inflation rate 10%	5yrs	2.37	2.46	3.34
14 Inflation rate 10%	Over 5 yrs	3.76	3.70	4.02
15 Debs &	5 years	11.55	11.56	11.47
16 Loans	15 years	11.32	11.32	11.46
17	25 years	11.18	11.18	11.46
18 Preference		10.09	10.09	10.88

♦Opening index 1758.3; 10 am 1751.0; 11 am 1754.5; Noon 1756.7; 1 pm 1756.2; 2 pm 1765.6; 3 pm 1766.2; 3.30 pm 1766.0; 4 pm 1765.5

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	86	10	17
Corporations, Dominion and Foreign Bonds	18	11	21
Industrials	357	354	889
Financial and Properties	171	78	414
Oils	33	15	58
Plantations	0	0	13
Mines	45	32	116
Others	80	52	136
Totals	790	552	1,664

LONDON RECENT ISSUES

EQUITIES

Stock	Closing Price p	+ or -
Carlisle Group 2p	[illegible]	
Exmoor Dual Inv. Trt.	[illegible]	
Go. Income 100p	[illegible]	
HSLP Group	[illegible]	
National Telecom 5p	[illegible]	
Palmer Shoe 5p	[illegible]	
Rockford Group 20p	[illegible]	
Sanlis 2p	[illegible]	
Tamura 10p	[illegible]	
Waverley Mining Warrants	[illegible]	
Zurich Group 5p	[illegible]	

FIXED INTEREST STOCKS

Stock	Closing Price £	+ or -
A.C. Hldgs. 11% Cv. Un. Ln. 1994/98	[illegible]	
[illegible]	[illegible]	

RIGHTS OFFERS

Stock	Closing Price p	+ or -
Arley Hldgs.	[illegible]	
Ashley Industrial Trust 5p	[illegible]	
Bagden Industries	[illegible]	
Chemex Intl. 5p	[illegible]	
Creighton Laboratories 20p	[illegible]	
HF & H Group 10p	[illegible]	
Five Oaks Investments 5p	[illegible]	
Jennys Inv.	[illegible]	
Leisureview Intl. 10p	[illegible]	
Lyon Tech 5p	[illegible]	
Microfilm Reprographics 10p	[illegible]	
Norfolk Foods 10p	[illegible]	
TACE 10p	[illegible]	

[illegible]

TRADITIONAL OPTIONS

- First Dealings Sep 12
- Last Dealings Sep 23
- Last Declarations Dec 8
- For settlement Dec 19

For rate indications see end of London Share Service

Stocks dealt in for the call included Marlexx, Sears, Oliver Resources, Standard Chartered, Consolidated Gold Fields, Erith, Scottish and Newcastle, Brooke Tool, Cowan De Groot, Morgan Grenfell, Trusthouse Forte and Grootvlei. A put was arranged in Entreprise, while double options were transacted in Oliver Resources and Brooke Tool.

LONDON TRADED OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allied Lyons (*402)	360	48	–	–	2	–	–
	390	23	35	45	7	14	17
	420	0	19	28	23	32	35
Brit. Airways (*151)	140	15	19	23	2	4½	7½
	160	4	7	12	15	18	20
	180	1	2½	–	31	32	–
Brit. & Comm. (*221)	220	10	17	23	10	13	15
	240	3	8	12	15	18	20
	260	2	4	7	45	45	47
B.P. (*240)	220	23	31	33	1½	4	7
	240	8	16	19	6	18	15
	260	2½	8	9½	21	21½	28
Bass (*746)	700	63	73	85	5	13	17
	750	27	38	55	10	32	37
	800	6	18	32	53	67	68
Cable & Wire (*365)	330	42	53	64	2	8	12
	360	18	32	42	9	16	23
	390	4½	18	27	30	32	38
Cons. Gold (*1030)	950	95	145	175	28	50	62
	1000	70	120	150	47	70	85
	1100	32	72	98	110	125	140
Courtaulds (*306)	300	18	29	36	7	13	15
	330	5	24	22	26	30	32
	360	1	6	12	55	55	55
Com. Union (*325)	300	36	48	48	5	7	10
	330	16	28	36	11	18	24
	360	5	15	22	34	38	44
G.E.C. (*157)	140	21	25	28	1	3½	6
	160	5	11	14	5½	8½	13
	180	1	3	7	23	23	25
G.K.N. (*312)	300	20	30	36	4½	9	15
	330	5	15	18	22	24	30
	360	1	6	9	51	52	54
Grand Met. (*478)	460	30	45	53	7	14	19
	500	9	23	32	28	33	36
	550	1½	8	15	75	75	77
I.C.I. (*1020)	1000	52	85	100	13	25	43
	1100	8	36	48	71	80	100
	1200	1	–	–	177	–	–
Jaguar (*242)	220	26	38	–	2½	6	–
	240	12	24	32	7	14	19
	260	4	13	20	21	26	29
Land Securities (*554)	500	62	73	87	2	7	12
	550	23	38	52	13	20	25
	600	5	16	27	48	50	33
Marks & Spencer (*158)	140	20	25	28	1	3	4
	160	5	11	16	7	10	11
	180	1½	4	8	23	25	26
Britoil (*500)	420	–	–	–	1	–	–
	460	–	–	–	5	–	–
	500	–	–	–	14	–	–
Rolls-Royce (*132)	120	13½	18	21	2	4	6
	130	5½	11	14	4½	7½	10
	140	2	6	10½	12	13½	17
STC (*262)	240	27	38	42	2	6	9
	260	15	23	29	7	15	18
	280	5	13	18	20	21	29
Sainsbury (*204)	200	11	17	24	4	0	9
	220	3	7	12	17	19	21
	240	1	3½	–	–	37	37
Shell Trans. (*992)	950	42	75	90	19	32	52
	1000	17	47	62	48	57	85
	1100	3	15	24	140	140	155
Storehouse (*187)	180	18	23	29	7	11	14
	200	0	14	18	18	22	24
	220	2½	7	12	34	36	37
Trafalgar House (*303)	280	28	33	36	3	9	12
	300	14	19	24	9	18	20
	330	3	0	13	30	38	40
T.S.B. (*98)	90	11	14	13	1	2½	3
	100	3	6	0	4	5½	7
	110	1	2½	3½	15	13	14
Utd. Biscuits (*268)	260	17	24	28	6	10	13
	280	7	14	19	16	20	23
Ultramar (*222)	200	29	40	44	5	11	15
	220	17	27	32	13	19	25
	240	9	17	22	26	29	34
Woolworth (*262)	240	27	34	43	5	0	18
	260	12	23	30	11	14	18
	280	5	14	19	23	27	30

Option		Calls Nov.	Calls Feb.	Calls Apr.	Puts Nov.	Puts Feb.	Puts Apr.
Ladbroke (*436)	390	55	63	–	3	6	–
	420	32	40	48	10	13	18
	460	9	20	25	35	38	38

Option		Calls Nov.	Calls Feb.	Calls May	Puts Nov.	Puts Feb.	Puts May
Brit Aero (*450)	420	39	57	–	10	17	–
	460	17	32	42	28	34	45
BAA (*256)	245	19	–	–	4	–	–
	255	12	–	–	7½	–	–
	260	–	17	24	–	15	18
BAT Inds (*440)	420	29	45	52	11	17	23
	460	10	23	30	35	40	42
	500	3	–	–	68	–	–
Brit. Telecom (*233)	220	22	26	30	3	6	8
	240	7	15	18	12	16	19
Cadbury Schweppes (*347)	330	33	47	52	11	15	19
	360	19	30	36	26	29	33
	390	10	17	24	50	50	53
Guinness (*317)	300	23	33	39	6	18	12
	330	6	17	22	20	22	28
LASMO (*554)	460	107	132	143	10	20	27
	500	77	103	115	22	33	37
	550	47	70	82	42	47	60
P. & O. (*534)	500	38	57	65	9	14	22
	550	12	28	38	35	40	47
	600	4	13	22	80	82	90
Pilkington (*198)	180	25	29	35	3	5	7
	200	12	17	23	9	13	16
	220	4	9	13	23	26	20
Plessey (*150)	140	16	20	23	3	8	10
	160	6	9	13	14	17	20
	180	1½	4½	8	31	35	36
Prudential (*155)	150	9	–	–	5	–	–
	160	6	0	10	12	13	14
	170	1½	–	–	20	–	–
Racal (*303)	280	34	45	55	6	13	18
	300	21	34	43	14	21	24
	330	10	24	30	32	41	46
R.T.Z. (*431)	390	53	70	80	6	15	19
	420	33	46	60	14	26	34
	460	15	25	38	38	47	55
Vaal Reefs (*$62)	60	6	10	15	5	7	9
	70	1½	4½	6	10	14	16

Option		Calls Sep.	Calls Dec.	Calls Mar.	Puts Sep.	Puts Dec.	Puts Mar.
Amstrad (*202)	200	9	18	26	6	12	14
	220	2½	11	17	22	24	26
Barclays (*395)	390	–	–	40	–	–	22
	395	0	25	–	7	16	–
Beecham (*456)	420	39	48	60	1	7	10
	460	0	22	36	9	23	26
BTR (*273)	260	14	21	30	3	7½	10
	280	2½	10½	19	16	19	20
Blue Circle (*426)	390	38	46	58	2	0	12
	420	12	26	38	12	18	24
	460	2	12	24	44	46	48
Dixons (*153)	140	16	21	26	2½	5	7
	160	3	11	16	10	12	16
	180	1	4	8	28	30	32
Glaxo (*1032)	1000	47	73	105	10	35	47
	1050	15	–	–	33	–	–
	1100	4	30	–	75	98	–
Hawker Sidd. (*502)	460	48	58	70	2	8	12
	500	15	30	47	10	22	28
	550	1	13	23	52	55	62
Hillsdown (*263)	260	0	17	27	4	10	12
	280	1½	9	16	18	20	22
	300	½	4	9	38	39	39
Hanson (*145)	130	15	18½	20	½	2½	2½
	140	6	10½	15	1	5	6
	160	½	2½	4½	16	17½	18½
Lonrho (*258)	240	21	31	37	1	7	11
	260	5½	17	23	7	15	20
Midland Bk (*399)	390	13	32	42	4	10	18
	420	1	15	21	23	24	33
Sears (*128)	120	10½	16½	22	2½	7	9½
	130	5	11½	17	7	12½	15½
	140	2½	8	12½	14	18½	20
Tesco (*135)	130	9	15	19	1	4	6
	140	3	0	12	7	10	10
Trusthouse Forte (*247)	220	29	38	42	1½	5	9
	240	14	24	28	5½	12½	19
	260	6	15	19	18	22	28
Thorn EMI (*612)	550	65	80	–	1	8	–
	600	20	42	55	10	18	25
	650	5	19	32	45	48	52
Unilever (*461)	420	44	53	68	1	6½	10
	460	9	25	40	10	20	25
	500	1	9½	21	42	43	48
Wellcome (*481)	460	25	43	60	2½	14	18
	500	4½	22	39	23	34	37

Option		Calls Sep.	Calls Dec.	Calls Apr.	Puts Sep.	Puts Dec.	Puts Apr.
Boots (*210)	200	12	22	27	3	9	12
	220	1½	9	18	15	20	22
	240	1	5	11	32	36	36

Option		Calls Oct.	Calls Jan.	Calls Mar.	Puts Oct.	Puts Jan.	Puts Mar.
British Gas (*169)	160	13	19	21	2	4½	6
	170	6¼	–	–	5¼	–	–

Option		Calls Sep.	Calls Nov.	Calls Jan.	Puts Sep.	Puts Nov.	Puts Jan.
RHM (*386)	360	33	45	50	7	15	17
	390	18	32	37	20	23	30
	420	8	18	20	38	40	40

Option		Calls Nov	Calls Feb	Calls May	Puts Nov.	Puts Feb	Puts May
Conv. 9½% 2005 (*99)	98	1⅜	2⅜	–	1	1⅜	–
	100	[illegible]	1⅝	–	2	2⅜	–
	102	[illegible]	[illegible]	–	3⅜	3⅜	–
Tr. 12% 1995 (*107)	106	1½	1⅜	–	[illegible]	¾	–
	108	[illegible]	[illegible]	–	1⅜	1½	–
	110	[illegible]	[illegible]	–	3⅜	3⅜	–

Option		Calls Sep	Calls Oct	Calls Nov	Calls Dec	Puts Sep	Puts Oct	Puts Nov	Puts Dec
FT-SE Index (*1766)	1650	120	133	138	150	2	11	16	21
	1700	70	88	98	112	6	20	28	37
	1750	27	52	65	80	17	35	45	53
	1800	7	25	36	53	50	62	72	80
	1850	1½	18	21	33	93	98	105	112
	1900	½	4	11	19	143	145	147	150
	1950	½	1½	5	–	193	195	193	–
	2000	½	½	3	–	243	245	245	–

September 14 Total Contracts 61,298 Calls 44,849 Puts 16,449
FT-SE Index Calls 2281 Puts 3398
*Underlying security price.

DECLARATION OF DIVIDENDS

UNITED KINGDOM CURRENCY EQUIVALENTS

In accordance with the standard conditions relating to the payment of the dividends declared by the undermentioned companies on 9 August 1988, payments from the office of the United Kingdom Registrar will be made in United Kingdom currency at the rate of R4.0765 South African currency to £1 United Kingdom currency, this being the first available rate of exchange for remittances between the Republic of South Africa and the United Kingdom on 6 September 1988 as advised by the companies' South African bankers.

The United Kingdom currency equivalents of the dividends are therefore as follows:

Name of Company (All companies are incorporated in the Republic of South Africa)	Dividend Number	Amount per share
Gold Fields Property Company Limited (Registration No 01/01078/06)	131	3.824938p
New Wits Limited (Registration No 05/04822/06)	75	7.359254p
Vogelstruisbult Metal Holdings Limited (Registration No 05/04346/06)	83	2.698383p

By order of the Boards
per pro CONSOLIDATED GOLD FIELDS PLC
London Secretaries
Mrs G M A Gledhill, Secretary

London Office:
31 Charles II Street
St James's Square
LONDON SW1Y 4AG

United Kingdom Registrar:
Hill Samuel Registrars Limited
6 Greencoat Place
LONDON SW1P 1PL

9 September 1988

MEMBERS OF THE GOLD FIELDS GROUP

COMPANY NOTICES

LINREAD PUBLIC LIMITED COMPANY

Notice is hereby given that the share transfer books of the company will be closed on Thursday 29th September 1988 for the preparation of dividend warrants.

By Order of the Board

KJ MORRIS
COMPANY SECRETARY

Weekly net asset value

Leveraged Capital Holdings N.V.
on 14/9/88 US 258.68

Listed on the Amsterdam Stock Exchange

Information:
Pierson, Heldring & Pierson N.V.

صورة من الأصل

LONDON STOCK EXCHANGE

Another buying surge in equities

London markets shrugged aside worries over the latest in the recent series of cash raising operations and made renewed progress yesterday.

Both equities and government bonds moved ahead, stimulated by the latest trade figures from the US, which were much better than most observers had forecast.

The equity market was given a more significant boost by the latest developments on the independent oil company front and also by stories of possible takeover bids in the immediate future.

The gilt-edged market put on another impressive showing, according to traders. Slightly easier at the outset, when sterling dipped against both the dollar and the D-mark, the market began to move ahead just before the US figures.

The US numbers showed a July trade deficit of $9.53bn against a median forecast of around $11.5bn - "an unqualified and exceptionally good figure" according to John Whitehead at Robert Fleming Research, although some dealers expressed a degree of cynicism ahead of the November US presidential election.

The figures nevertheless brought an upturn in the dollar and triggered a strong opening performance in the US Treasury market where the long bond was up around a point and yielding 8.8 per cent.

The US market dipped off, however, and the UK Gilts market picked up significantly as the US currency settled down to "more sensible levels" after its initial figures-inspired rush. Long-dated gilts gradually edged higher to close at or around the day's best levels and showed rises of as much as ¾, while shorts were up around ¼.

Gilts dealers described this as "good against a weak sterling performance, but relatively unimpressive given the showing by the US bond market".

The equity market, slightly uncertain at the outset when news emerged of the Standard Chartered rights issue, thereafter edged further ahead, "mainly on the relief factor" said one trader. At the close the FT-SE 100-share index was up 8.8 at 1,765.1, having come back from being up 13.7 soon after the US trade figures. Over the past three days the FT-SE has risen 26.7 points. Turnover, too, picked up and totalled 394.6m shares against Tuesday's 369.2m, but analysts were unanimous in describing follow-through in the market as "disappointing".

The oil sector refused to give up its position at centre stage and surged ahead early on after news that LASMO, hard on the heels of the British Gas raid, has instructed Goldman Sachs, the US securities house, to auction its stake in Enterprise Oil. Bulls of the oil sector were also heartened by the latest upsurge in crude oil prices which jumped well above the $14 a barrel level.

Account Dealing Dates			
First Dealings:	Sep 5	Sep 19	Oct 3
Option Declarations:	Sep 15	Sep 29	Oct 13
Last Dealings:	Sep 16	Sep 30	Oct 14
Account Day:	Sep 26	Oct 10	Oct 24

*New time dealings may take place from 9.00 am two business days earlier.

FINANCIAL TIMES STOCK INDICES

	Sep 14	Sep 13	Sep 12	Sep 9	Sep 8	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	86.90	86.79	86.87	86.60	86.62	85.33	91.43 (18/4)	86.28 (2/9)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.49	95.53	95.34	95.63	95.67	91.63	98.67 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1416.5	1409.8	1401.7	1398.5	1402.4	1790.2	1514.7 (8/8)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	176.5	176.9	176.6	183.6	183.5	447.2	312.5 (7/1)	175.9 (13/9)	734.7 (15/2/83)	43.5 (26/10/71)

Ord. Div. Yield	4.81	4.84	4.86	4.85	4.85	3.27
Earning Yld %(full)	12.18	12.23	12.30	12.34	12.30	8.01
P/E Ratio(Net)(*)	9.90	9.92	9.87	9.84	9.87	15.27
SEAQ Bargains(5pm)	18,623	17,781	14,876	17,311	17,572	31,098
Equity Turnover(£m)†	-	857.70	688.47	870.76	1051.59	1594.36
Equity Bargains†	-	18,579	15,444	20,321	19,861	35,619
Shares Traded (ml)†	-	287.3	210.9	295.0	335.3	495.9

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1411.2	1405.6	1409.4	1411.3	1410.6	1419.1	1418.5	1417.8

DAY'S HIGH 1422.0 DAY'S LOW 1404.9

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. * Nil † 9.81 Excluding intra-market business.

S.E. ACTIVITY

Indices	Sep 13	Sep 12
Gilt Edged Bargains	74.9	75.6
Equity Bargains	120.4	100.1
Equity Value	1935.9	1169.4
5-Day average		
Gilt Edged Bargains	79.5	83.6
Equity Bargains	113.8	113.7
Equity Value	1791.1	1668.6

■ London Report and latest Share Index: Tel. 0898 123001

Standard keeps its promise

Standard Chartered produced the year's most predicted surprise when it unveiled a £303m rights issue aimed at bolstering the group's equity-to-assets ratio. Because the cash call was expected, its effect on the share price had been discounted by the market and there was a palpable sense of relief among dealers that the issue is now safely out of the way. Further boosted by the generous terms of the issue — the 77.9m new shares are being offered on a one-for-two basis at 400p a share — the shares climbed rapidly during the session to a closing peak of 502p, up 24 on the day.

Mr Ian Shelley, analyst with W I Carr, the international broking house, said that the issue was so well received because it makes the dividend significantly more attractive, and because Standard's two largest shareholders, the Bell Group — now controlled by Mr Alan Bond — and Sir Y K Pao of Singapore, gave it their full support. Both groups hold 14.9 per cent of the bank's equity.

Although the Bell Group agreed to subscribe fully to its entitlement, Sir Y K Pao declined to take on more stock. Shelley thinks this significant: "It could be interpreted as a signal from Y K Pao that he is interested in selling his stake." In such a situation, many in the market believe that Lloyd's Bank might launch a second bid for Standard. Its first takeover attempt, worth £1.3bn, failed in 1986.

Free Enterprise

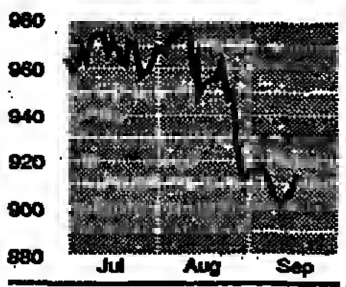
Time appeared to be running out for London & Scottish Marine Oil (Lasmo) and Enterprise Oil, the two UK oil independents currently attracting predatory interest from a number of large international groups. Twenty four hours after an unsuccessful market raid by British Gas, LASMO put up for auction its 25.2 per cent holding in fellow independent Enterprise.

Shares in the two companies maintained their upward momentum, although business fell short of Tuesday's exceedingly high level. Enterprise made another spectacular jump, rising 79 to 642p in volume of 4.1m which inferred severe stock shortages, while LASMO rose 22 to 566p after turnover of 8.7m. British Gas slipped nearer the year's low, closing 3 off at 169¼p after trade of 11m shares.

The market interpreted the move as an attempt by LASMO to get Gas off its back, but the company proved beyond doubt at a meeting with analysts that the sale had been pre-arranged. "LASMO management is very able and confident that following the disposal the company will regain its own identity as an oil producer", said Mr Mark Fletcher of Warburg Securities.

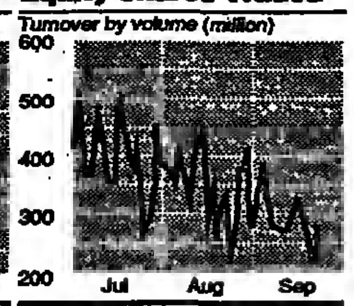
Several permutations were opened by the news, but most speculation centred on outright bids for LASMO and Enterprise. Gas would ideally like to get LASMO, with or without the stake, and in eighteen months time go for Enterprise, speculated one trader. Others hold the view that the latter is the real target. Dr Homa Motamen, director of oil services at CIBC Securities Europe, suggests each Enterprise share is worth between £8 to £10, depending on how the exploration acreage is valued. Existing published barrels could easily be doubled, she says.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



RHM uplift

Ranks Hovis McDougall surged out of the doldrums yesterday as rumours about the fate of Goodman Fielder Wattie's 29.9 per cent stake swept the market. Dealers said that Goodman Fielder was thought to have received an offer of around 400p per share from Grand Metropolitan, the brewing and hotel group which recently put its InterContinental hotel chain up for sale. In frantic trading which briefly included a reverse spread as dealers struggled to make prices, RHM shares were marked sharply higher, closing 26½ better at 485½p after turnover of 4.3m as traders hoped that RHM would be put back into play.

The turnover figure was too low for the stake to have passed through the market, leading to speculation that Goodman may have rejected any approach. Subsequently another figure of 420p per share was mentioned, but by then dealers were extremely cautious, commenting that trading RHM shares was becoming a "lottery". Both Goodman Fielder and Grand Met refused to comment on the rumours.

In a separate development, Grand Met announced that its stake in Irish Distillers had been increased to 24.89 per cent, sending the Irish group's shares down 17 to 419p. Grand Met shares were unchanged at 477¼p in turnover of 4.2m.

Timber plan split

Travis and Arnold, timber and builders' merchants, moved back swiftly into the spotlight as Meyer International appeared on the scene with a counter-bid of 500p per share cash. The offer, which followed hard on the heels of a recommended merger with Sandell Perkins, appeared to be a knock out blow, but the Travis share price jumped 137 to close at 505p, 5p above Meyer's bid.

One market source suggested that Meyer may have to increase its offer to win the day, but ruled out higher terms from Sandell. It was pointed out that a prospective exit p/e of 13 is rather low and could flush out yet another predator. Sandell Perkins shares rose 28 to 246p, which values its share exchange terms at only 393.6p per Travis share. Meyer closed 10 lower at 369p.

Travis quickly rejected the bid which values the group at £176m and at the same time described it as a panic stricken attempt to sabotage its proposed merger with Sandell Perkins. Meyer said that if successful its move would create the largest chain of builders' merchants in the UK. Meyer also claimed that its offer gave Travis shareholders the opportunity to increase their income five-fold.

The oil sector overall failed to reflect the latest surge in crude oil prices which in turn followed news that a meeting of the Opec price monitoring committee will take place on September 25. The majors, with the exception of British Gas, barely moved during a moderate trade, but Sovereign encountered fresh speculative interest and rose 15 to 172p.

Lonrho marketmakers continued to experience the whims of the large buyer which they suspect may be a stakebuilder. Afterpulling away from the market initially, the buyer returned later, picking up sizeable quantities of stock. Most of the purchases were at levels lower than the closing price of 259½p, down 2½ on the day, after turnover of 7.2m shares.

Prudential eased 2¼ to 154p after reporting a 23 per cent jump in interim profits to £144.4m. The figures were at the bottom end of market expectations and Mr David Hudson, analyst with Barclays de Zoete Wedd, described them as *"safe but unexciting."* The rest of the sector was generally easier, as concern about Hurricane Gilbert unsettled the composites. General Accident were worst hit, slipping 13 to 874p.

Brewery stocks failed to keep up with other sectors, although there was reasonable trade in Guinness (1.3m) ahead of today's interim figures and the shares edged forward 3 to 317p. The range of forecasts is £168m-£185m, with Kleinwort Grieveson going for £180m.

Among indifferent Stores Woolworth shone with an impressive set of interim figures. Pre-tax profits for the group jumped from £27.1m for the first six months of 1987 to £70.5m this year. The biggest contribution to growth came from Woolworth's diy subsidiary B&Q and its property interests.

Unfortunately Woolworth's good fortune failed to stimulate much interest in the rest of the sector, although Next were a good market, rising 5 to 215p, as were Dixons, 5 better at 155p. Turnover in Sears remained healthy on continued rumours that a bid will be launched some time before the end of this Account, and the shares closed a halfpenny higher on 127p as 5.1m went through the system.

Racal was heavily traded (9.6m) and rose 11 to 301p. Warburg Securities upgraded its earnings forecast for Thorn EMI which rose 11 to 612p. BSR gained 3 to 66p after reports that its chief executive had bought 650,000 shares at 63.5p.

British Aerospace remained under selling pressure as most analysts took a cautious view following the interim figures. The shares fell in volume of 3.3m to close 11 cheaper at 551p. A speculative flurry in English China Clays, up 15½ at 452½p in turnover of some 2m shares, was accompanied by Sir Ron Brierley stakebuilding talk and rumours of a possible bid from RTZ.

Rank Organisation, a poor market of late, revived as US buying interest took the price higher to close 10 better at 642p. Boots, still responding to an upgraded profits forecast from Hoare Govett advanced 8 more to 311p with volume expanding noticeably to 5.8m shares.

A good two-way trade developed in BPB as German competition fears resurfaced with the shares improving to 162p before falling back to close a shade easier on the day at 159p. Volume amounted to around 1.9m. Elsewhere in the Building sector, *Ibstock Johnsen* closed 4 easier at 165p despite announcing interim profits of £27m compared with £16.6m. J. Laing, in contrast, responded to bumper half-year results with a rise of 7 at 293p.

The activity in RHM brought a welcome spark of life back to the Food sector. Cadbury Schweppes featured an impressive turnover of 5.6m shares as it rose 5¼ to 445½p on renewed bid hopes, while Dalgety gained 13 to 316p on a combination of brokers' recommendations and old speculation that it may be the consolation target for Goodman Fielder Wattie after its abortive attempt to take over RHM.

United Biscuits revealed figures which were above even the highest estimates and much to dealers' surprise the shares went up, rising 7¼ to 266p after turnover of 2.3m.

Rolls-Royce, scheduled to reveal half-year results today, traded on a lively note (7.1m shares) before settling unaltered on the day at 132½p. Regarded as one of the stocks *with defensive qualities*, Rolls-Royce has attracted considerable interest of late, particularly in the wake of an expanding intake of both military and civil orders. Analysts are looking for interim pre-tax profits of around £70m.

Trusthouse Forte recorded one of the day's highest volumes (8.1m shares), rising 9 to *245p, and was also the subject* of exceptionally high activity in the traded options market. Dealers were unable to account for the turnover, but reported renewed rumours linking THF to the InterContinental hotel chain being sold by Grand Met - an announcement on the sale is expected this week. There was speculation that THF *might bid for the hotels, raising* the capital by issuing paper. Other stories again suggested that THF may soon itself be the subject of an unwelcome consortium bid.

P&O's mid-term results produced few surprises. Profits, after the cost of the ferry strike, were in line with market estimates and left the shares little changed at 536p.

Confirmation that the Kuwait Investment Office had halved its holding to 4.28 per cent made little impression on Britannia Arrow, unaltered at 99p.

A hectic day's business on the Traded Options market saw turnover climb to its highest level since the Crash. By *the close 61,298 contracts* — 44,849 calls and 16,449 puts — had been traded. There was tremendous demand for Trusthouse Forte, particularly the September and December 260 calls, with the final total reaching 11,361 contracts. Also in demand were Hanson Trust with 6,852 contracts and British Gas with 5,843.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 34

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
ASDA Group	3,400	147½	+1½
Abbey Life 5p	[illegible]	[illegible]	[illegible]
Allied-Lyons	[illegible]	[illegible]	[illegible]
Amstrad 5p	[illegible]	[illegible]	[illegible]
Argyll Group	[illegible]	[illegible]	[illegible]
Ass. Brit. Foods 5p	[illegible]	[illegible]	[illegible]
BAA	[illegible]	[illegible]	[illegible]
BAT Inds.	[illegible]	[illegible]	[illegible]
BET	[illegible]	[illegible]	[illegible]
BICC 50p	[illegible]	[illegible]	[illegible]
BOC Group	[illegible]	[illegible]	[illegible]
BPB Inds.	[illegible]	[illegible]	[illegible]
BTR	[illegible]	[illegible]	[illegible]
Barclays £1	[illegible]	[illegible]	[illegible]
Bass	[illegible]	[illegible]	[illegible]
Beecham	[illegible]	[illegible]	[illegible]
Blue Arrow 5p	[illegible]	[illegible]	[illegible]
Blue Circle	[illegible]	[illegible]	[illegible]
Boots	[illegible]	[illegible]	[illegible]
British Airways	644	151	
Brit. Aerospace 50p	1,300	451	-11
Brit & Comm. 10p	252	222	+1
British Gas	11,000	169½	-2
British Land	153	320	+2
Brit. Petroleum	2,800	240½	
British Telecom	817	233	+1
Burmah £1	372	518	-1
Burton Group 50p	963	197	+1
Cable & Wireless 50p	959	365	+2
Cadbury Schweppes	5,600	345½	+5½
Coats Viyella	2,300	200	-1½
Comm. Union	2,900	324	-1

Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]
GKN £1	1,400	311½	+½
Guinness	2,300	317	+3
Hammerson "A"	165	622	
Hanson	6,000	144½	+1
[illegible]	8	620	
Hawker Siddeley	140	502	+1
Hillsdown Hldgs. 10p	1,500	261½	-1½
IMI	79	197	
Imp. Chem. £1	1,800	1104	[illegible]
Inchcape	518	212	-1
Jaguar	943	242	
Ladbroke 10p	1,000	406	-2

Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]
Plessey	1,500	150	+1
Prudential 5p	2,700	154	-2¼
Racal Electronics	9,300	301	+11
Rank Org.	2,000	642	+10
RMC	759	447	
RHM	4,100	385½	+26½
Reckitt & Colman	294	846	-1
Redland	438	398½	+½
Reed International	2,100	410	+8
Reuters "B" 10p	751	459	
RTZ 10p	1,600	431	+2
Rolls Royce 20p	7,100	132½	

Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]
Tesco 5p	1,400	135	
THORN EMI	1,200	612	+11
Trafalgar Hse. 20p	407	303	
Trusthouse Forte	8,100	245	+9
Ultramar	3,700	225	+4½
Unilever 5p	1,300	469	+5
United Biscuits	2,300	266	+7¼
Utd. Newspapers	333	386	
Wellcome	327	479	-1
Whitbread "A"	608	277	+2
Williams Hldgs.	403	262	+1
Wimpey (Geo)	574	228	
Woolworth Hldgs.	6,100	260	+

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (68). [illegible] PROPERTY (1) Erostin, SHIPPING (1) Turnbull Scott, SOUTH AFRICANS (1) OK Bazaars, OILS (2) LASMO, Sovereign Oil, OVERSEAS TRADERS (1) First Pac Co.

NEW LOWS (37). [illegible] Warringtons, OILS (1) Carless, MINES (8) Durban Deep, Deelkraal, Stilfontein, McFinley Red Lake, Messis Expln., THIRD MARKET (1) Ovoca Gold.

APPOINTMENTS

Chairman for Westland Group

Sir John Cuckney, the chairman of the WESTLAND GROUP, is to retire from the board of the company at the next annual general meeting in February, *writes Lynton McLain.*

Sir Leslie Fletcher, the deputy chairman of Standard Chartered, has been appointed a director and joint deputy chairman of Westland, with view to succeeding Sir John Cuckney at the end of the next AGM.

Another director of Westland, Sir Peter Carey, has also retired from the board. Sir Peter was appointed by United Technologies corporation under the terms of the 1986 capital reconstruction of Westland. United Technologies has nominated Mr Thomas Pownall, chairman of the executive committee of the board of Martin Marietta corporation, a US defence contractor, to succeed Sir Peter.

Sir John Cuckney, the chairman of the Westland group said yesterday that his intended retirement from the chairmanship of the company was "a perfectly straightforward move, absolutely routine. I never intended to stay for ever at Westland and the prospects for the company are very bright".

■ Mr Peter Wrangham, executive director, Hong Kong of the HONGKONG AND SHANGHAI BANKING CORPORATION, will be moving to London on November 21 to succeed Mr Kenneth Barker as executive director, Europe. Mr Barker will be retiring in December this year. Mr Paul Selway-Swift will be appointed as a general manager on the same date and will take over Mr Wrangham's responsibilities for the Hongkong and Shanghai Corporation's retail and commercial banking activities in Hong Kong. Mr Selway-Swift is an assistant general manager.

■ Mr Pierre Lescure, directeur général of Canal+, the French pay television channel, has been made a director of TVS ENTERTAINMENT. Mr Etienne Mallet, chairman and chief executive of Générale d'Images, a 90 per cent owned subsidiary of Générale des Eaux, has also joined the board. Canal+ and Générale each hold 10 per cent of the ordinary shares of TVS Entertainment.

■ Mr Donald Guinn, chairman emeritus of Pacific Telesis Group, is joining the board of PYRAMID TECHNOLOGY on November 1.

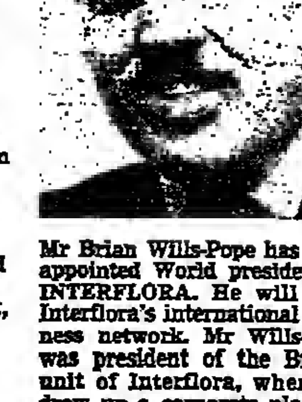
■ Mr Iain M. Robertson has joined CRYSTALATE ELECTRONICS as a director from Signex, where he was managing director. He will take charge of four main operating divisions (Colvern, Strainstall, Stress Engineering Services and Welwyn Strain Measurement), and will also control marketing in Europe.

■ Mr J.M. Gordon has been appointed deputy chairman of SEDGWICK LLOYD'S UNDERWRITING AGENTS and Mr M.J. Crispin succeeds him as managing director from October 1.

■ *MGMM MANAGEMENT* has appointed Mr Mick Pilsworth to the newly-created position of chief executive. He joins from TVS Entertainment, where he was group development controller.

■ CALOR GROUP has appointed Mr Alistair Pate as finance director from November 1 following the retirement of Mr Brian Wilmot. Mr Pate is regional controller, Europe, of Air Products, which he joined in 1967.

■ Mr John Light has been made company secretary of TOZER KEMSLEY & MILLBOURN (HOLDINGS). He was previously assistant secretary and replaces Mr C.R. Edge who has been appointed managing director of Tozer Kemsley & Millbourn Estates, a subsidiary of Tozer Kemsley and Millbourn (Holdings). He will be responsible for the group's property investments and developments both in the UK and overseas.



Mr Brian Wills-Pope has been appointed World president of INTERFLORA. He will lead Interflora's international business network. Mr Wills-Pope was president of the British unit of Interflora, where he drew up a corporate plan for the future development of the company.

■ LIT HOLDINGS has appointed Mr D.J. Vogel as an additional executive director. Mr Vogel, who has been with Thomson McKinnon since 1979, will also become a vice chairman of LIT America Inc, based initially in New York with responsibility for the New York offices.

COMMODITIES AND AGRICULTURE

LME to drop silver and standard copper trading

By Kenneth Gooding, Mining Correspondent

THE London Metal Exchange is to drop its standard copper contract next January and copper trading will concentrate solely on Grade A material, LME's flagship. LME will also stop trading silver after next June.

The decision to drop standard copper was unexpected but it was a sensible move, Mr Robin Bhar, an analyst with Rudolf Wolff, the London-based metal trading group, said.

He said there was little trade in standard copper, which is of 99.9 per cent purity compared with Grade A at 99.95 per cent. Standard copper stocks on the LME were almost gone and turnover was about 1,000 tonnes a day, compared with more than 250,000 tonnes for Grade A.

Only a few Chilean and US companies continued to produce standard copper but they and their clients had wanted LME to keep the contract, to maintain a pricing reference point, Mr Bhar suggested. LME would prefer those companies interested in standard copper to use a discount structure related to the Grade A contract, he said.

Mr Stephen Briggs, an analyst with Shearson Lehman Hutton's London metals research unit, said: "There is no demand for the standard copper contract so there is no point in having it. It adds to the LME's administrative costs without bringing in any revenue."

He said LME recently introduced a new Special High Grade zinc contract, "so it needs a bit of space."

LME said the last delivery date for standard copper would be next January 4. That for silver would be next June 30.

The silver contract's end was widely expected because LME members were asked their opinions on it this spring. "It is about time it went," Mr Briggs said.

LME's silver contract has been little-used since early-1980 when an unsuccessful attempt was made to corner world silver supplies. LME traders suffered big losses.

In spite of changes made to the silver contract's size and a switch from sterling to dollars in currency denomination, interest has stayed minimal in face of London bullion-market competition.

● Boosted by sentiment carry-over from the New York Commodity Exchange (Comex), where stocks have fallen heavily, three-month Grade A copper reached the highest level for eight months in sterling terms yesterday afternoon, £1,425 a tonne, equivalent to $2,368 a tonne.

Comex stocks fell by 5,000 short tons over the past month, to under 20,000 tons. Traders expect them to fall to 10,000 tons, a level reached in March.

Grade A copper for immediate delivery closed yesterday in London up £24.50, at £1,471.50 a tonne.

Hurricane fears dominate cotton

By Deborah Hargreaves in Chicago

COTTON FUTURES trading in New York yesterday was dominated by fears that one of the worst hurricanes on record would hit key cotton-growing areas in the Southern states.

Hurricane Gilbert has caused untold damage in its sweep through the Caribbean as winds of up to 175 miles an hour left 14 people dead in Jamaica, the Dominican Republic and Venezuela.

The hurricane continued its course towards the Yucatan peninsula in Mexico yesterday as residents on the US Gulf coast laid in food supplies and prepared to evacuate.

If the severe rains fall on the open bolls of cotton and winds continue to blow at more than 100 miles an hour as they reach land, cotton in Louisiana, Mississippi and Texas could be devastated, Ms Sandra Kaul, commodities analyst at Shearson Lehman in New York, believes.

Cotton futures have risen by three cents a lb over the past couple of days as analysts watch the hurricane's path. However, a hurricane's direction is difficult to predict, because it can veer extremely quickly.

This year's cotton crop is approaching harvest but even if big damage is done, carry-over stocks into next year will still be high, analysts say. Cotton carry-over supplies are estimated at 8.2m bales.

Sugar futures quietened yesterday after Tuesday's scare that Hurricane Gilbert could disrupt shipments and sugar-handling in Cuba, one of the world's main sugar exporters.

Grampian shows arable problems

Bridget Bloom on the move to Scotland by farmers from England

MR Ken Nichol, a past president of the Aberdeen region of the Scottish National Farmers Union, strode to the window and gesticulated at the huge views of rainswept wheat and barley confined only by a hilltop wood and the distant sea. "Do we have a crisis in farming here?" he asked.

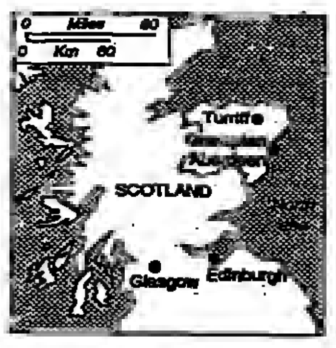
"That farm was sold last year to a man from the south and he's now negotiating to buy the one next door." Mr Nichol's finger shifted to the south-east. "That neighbour's now in liquidation. That one too, down the hill. There's a list as long as my arm of farmers in trouble — and it will get much longer if this rain continues and produces another poor harvest."

The Grampian region of north-east Scotland is one of the country's more fertile farming areas but today it shows, better than any in the UK, the pressures on arable farming.

Traditionally farmers here raised livestock but in the growth years of the 1970s they started to go into cereals in a big way.

They were seduced by high prices paid under the European Community's Common Agricultural Policy, by the long daylight hours which stimulated growth and by quite big yields as fertile grasslands were ploughed, to grow winter wheat particularly.

However, declining farm-gate prices for cereals over the past three years, brought about partly by reforms of the CAP, have combined with two bad harvests out of three, and possibly three out of four for this year's harvest does not look good so far.



Mr Nichol says: "Prices and yields have been poor and inputs have risen. This has not only put paid to our prosperity — many farmers are in a very parlous state."

Region-wide figures of the extent of the crisis are not available. However, a survey this year, involving the Scottish Department of Agriculture as well as the SNFU, concluded that the number of farm businesses at risk in Grampian was much higher than usual.

The survey was the first involving government to study the problems besetting farmers on both a regional and an individual basis.

About 30 farmers sought advice from a counselling team. Mr Nichol believes many more needed such advice but were too proud to ask for it.

Of the farmers who appealed for help, two-thirds were over-borrowed. Some had borrowed in the late-1970s and early-1980s when land prices were high, and many had since sold livestock to try to cover debt.

They were greatly over-stretched, were poor managers and were trying in several cases to provide a living for too many off one holding, the survey said.

Some had particular problems. For example, with pigs, which have been going through a country-wide cyclical trough; or with seed-potatoes, where the market was undermined last year by the collapse of Algerian contracts. Many farmers surveyed were advised to leave farming altogether.

For all those not in such dire straits, the past couple of years have still been difficult. Mr Alastair Strachan, also a senior SNFU official, who farms near Turriff, north of Aberdeen, put it like this.

Most farmers have been aware that something had to happen to reform the excesses of the CAP, in which huge surpluses of unwanted commodities have cost vast sums to store or export over recent years. However, all were now finding margins dreadfully cut.

"We can cope with the weather, or with politicians, but not with both together," he jokes.

None the less, it's an ill wind that blows nobody good. In what may be a striking parallel to a movement of Scots farmers south in the 1920s and 1930s, farmers from England are moving into north-east Scotland and buying up many farms in trouble.

There is much anecdotal evidence but few hard figures with which to assess the movement's size. Mr John Rhind, of probably the biggest land-agents in the area, Aberdeen & Northern, says 75 per cent of farms he has sold since the spring went to southerners, perhaps 30 out of 40 sales.

He believes the transactions have had a marked effect on land prices. "Good arable land which in the spring was fetching £600 an acre in Aberdeenshire is now going for £800. Where there's less land available, in Morayshire and Kincardine, prices have jumped from £1,000 to £1,200," he says.

Aberdeen & Northern reports interest in hill-farms which fall within the so-called less-favoured area schemes and thus attract CAP livestock subsidies. Land here has been sold recently at £500 an acre, compared to about £400 at the start of the year.

Mr Rhind says his clients are, mostly, working livestock-farmers from western England. "They are certainly not the green-wellies brigade — though may be the yuppies are the ones who bought out my clients in the west of England."

Among anecdotal evidence are variants on the theme of the Oxfordshire farmer who built himself a bungalow, sold his pretty, Queen Anne farmhouse and 20 acres to a "City gentleman," but kept his main farm and still had enough money left to buy an Aberdeenshire farm for his son.

There is much interest, in Grampian, as to what sort of farming the new owners will pursue. Mr Rhind reckons those he has met aim to return to the livestock-farming that proved viable before the CAP came to beguile farmers into believing that great fortunes could be made from wheat.

Grampian Farmer Counselling Initiative. Scottish Office Library, St Andrews House, Edinburgh. £1.

Coffee prices tumble with rain

By David Blackwell

COFFEE PRICES tumbled in London yesterday on reports of rain in coffee-growing areas of Brazil, top world producer.

By midday the three-month robusta contract on London Fox fell more than £50 a tonne. Prices rallied in afternoon trading and the three-month contract closed at £1,065 a tonne, £30 down on the day.

London prices rose strongly last week after the New York market where speculators gambled on dry weather continuing through the Brazilian crop's flowering period.

There had been little or no rain in the growing areas since May. Forecasters were lowering estimates for the 1989-90 harvest, from the 40m-bag to the 45m-bag range (60kg each).

However, analysts said it was too early to say if dry weather would damage the crop. E.D. & F. Man, the London trader, reported "in our view there is no cause for concern unless the lack of rain persists until about the end of September."

Overnight-rain reports immediately brought long-position liquidation yesterday but dealers said the dry-weather threat could not be discounted. "We have seen only a little rain in some parts of the coffee-growing area," said one.

Rain reports put some life back into the market, which has been quiet this week in preliminaries to the International Coffee Organisation (ICO) talks which start in London on Monday.

Consumer countries will push for reform of the export-quota system by which the coffee agreement tries to control world price fluctuations. They are seeking a rise in the amount of mild coffee available to the market.

The lack of top-quality coffee has led to a big price premium building on the more widely-available robustas, which are not in such demand. However, Mr Jorio Dauster, head of Brazil's Coffee Institute, recently said it was too late to change producing countries' individual market-shares.

E.D. & F. Man said the meeting was likely to set global export-quota levels for 1988-89, final year of the current deal. However, it was "much less sanguine about any successor agreement for October 1989."

Polish grain crop reaches 25m tonnes

POLAND'S Farm Minister, Mr Stanislaw Zieba, said at the weekend that this year's grain harvest reached 25m tonnes, 1m tonnes down on last year but as much as in 1986, the next best year since 1945, *writes Christopher Bobinski in Warsaw.*

The result came after fears for the crop following an excessively dry spring. Last year Poland imported 2.7m tonnes of grain, compared to 1.8m tonnes in 1986.

Mr Zieba said the rape crop this year reached 1.2m tonnes, the same as last year.

Romania plans to buy more iron ore

By Chris Sherwell in Sydney

ROMANIA AGREED to increase contracted purchases of Australian iron ore by almost 30 per cent following talks in Bucharest, Mr Peter Dowding, Western Australia's premier said.

The expansion follows a deal this year by which Hancock Mining, led by iron-ore magnate Mr Lang Hancock, committed itself to supply 53m tonnes of iron ore over 12 years, a contract worth about A$1.5bn.

This week Mr Dowding said his talks with Mr Nicolae Ceancescu, Romania's president, resulted in a deal by which Romania will buy an extra 15m tonnes, worth more than A$400m.

Initially the ore will come from the Mt Newman mine operated by Broken Hill Proprietary (BHP), Australia's largest company.

However, to meet the Romanian contract BHP and Hancock Mining hope to develop jointly Mr Hancock's McCamey's Monster deposit, south-east of Mt Newman.

The overall aim is to develop an Eastern Bloc iron-ore market and thereby diversify Australia's export markets away from Japan. Western Australia's ore-rich Pilbara region produces almost 10 per cent of world iron-ore output and supplies almost half Japan's imports.

One Eastern Bloc target is Czechoslovakia. This week Mr Dowding emerged from talks in Prague saying the Czechoslovak Government had decided in principle to build a canal system between Bratislava and Ostrava.

Australian minerals plant hits snag

By Chris Sherwell

PLANS FOR a mineral sands processing plant in Western Australia hit an obstacle when the state government's environmental protection agency found waste problems could endanger health.

The plant, to be located at Pinjarra, south of Perth, is part of a A$150m project owned by Rhone Poulenc, the French chemicals group, the world's largest marketer of rare-earth materials.

One part of the project, a plant to extract gallium metal from wastes of an alumina-refinery nearby, is under construction.

The other was a plant to process up to 15,000 tonnes a year of monazite sand, which would multiply the group's A$10m monazite exports 10 times by producing advanced materials with high-technology uses.

Western Australia's Environmental Protection Authority last week approved the first stage of the monazite plant, which would crack the sand into intermediate product, but refused permission for the second.

This would have separated rare-earth elements using nitric acid but produced as by-products ammonium nitrate, used as fertiliser and explosive, and the radio-active elements thorium and radium.

The authority was satisfied with proposed methods of dealing with the thorium and radium but felt the ammonium nitrate, which would be deposited in tailings ponds, could be a long-term threat to the river system.

This left Rhone Poulenc with a problem: ammonium nitrate on its own could be disposed of in some other way but a portion of it would be contaminated by radium, and that must be dealt with through the ponds. Separation, it seems, is not an option.

The company disagrees with the authority's assessment of the problem and may appeal against the judgment, but it must now consider some other way to deal with the mixture or face tough alternatives:

● Moving the monazite plant and losing economies of administration and infrastructure gained by siting near the gallium plant. This it tends to rule out.

● Doing only the first-stage processing, which the company has said in the past would not make commercial sense.

● Halting the plant altogether, the least attractive option.

The Labor Party state government is also in a dilemma. It backs the plant and the general concept of mineral processing. However, environmentalist and community groups oppose, and Labor must seek re-election in the next few months.

Brent trades 3,000 lots

By David Blackwell

THE BRENT crude oil futures contract, launched on London's International Petroleum Exchange (IPE) on June 23, yesterday traded just above 3,000 lots, breaking the record 2,475 lots set last Tuesday.

The contract, the exchange's second attempt to develop a crude contract, is denominated in 1,000-barrel units and based on an index of Brent oil prices compiled from specialist trade publications.

The exchange aimed to fill an industry need for an oil futures contract in time-zones outside the US where Nymex trades a highly successful contract based on West Texas Intermediate crude.

Mr Peter Wildblood, IPE chairman, has said the contract has succeeded. However, it remains small compared to the Nymex WTI contract, which last month averaged 80,000 lots a day.

WORLD COMMODITIES PRICES

LONDON MARKETS

COCOA PRICES closed at session lows yesterday, falling in afternoon trading in the wake of lower opening prices in New York. The fall from steady midday levels reflected lack of constructive news from the International Cocoa Organisation (ICCO) talks, a reduction in the oversold situation and bearish long-term prospects, dealers said. The market seemed to be wanting to go down again after the recent technical rally, one trader said. In contrast, aluminium prices rallied sharply in afternoon trading on the LME, erasing losses. The recovery was prompted by sterling's fall against the dollar, with the move above the £1,400 level for three-month 99.5 per cent metal triggering further activity. Weaker sterling also helped a firm trend in London soyameal futures, already under upward pressure from Chicago markets.

SPOT MARKETS

Crude oil (per barrel FOB September)		+ or -
Dubai	$12.35-2.45q	+.575
Brent Blend	$14.15-4.23q	+0.63
W.T.I. (1 pm est)	$15.30-5.33q	+0.85
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$167-169	+2
Gas Oil	$124-126	+4.5
Heavy Fuel Oil	$66-68	+3.5
Naphtha	$157-159	+7.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$421.75	+1.50
Silver (per troy oz)♣	653c	+8
Platinum (per troy oz)	$525.75	+4.25
Palladium (per troy oz)	$121.75	+0.50
Aluminium (free market)	$2450	+110
Copper (US Producer)	111⅝-115c	+1
Lead (US Producer)	37c	
Nickel (free market)	540c	
Tin (European free market)	£4485	+80
Tin (Kuala Lumpur market)	19.69r	+0.19
Tin (New York)	348.5c	+1.75
Zinc (Euro. Prod. Price)	$1312.5	
Zinc (US Prime Western)	65⅝c	
Cattle (live weight)†	111.56p	-1.67*
Sheep (dead weight)†	150.05p	-9.02*
Pigs (live weight)†	72.04p	+1.56*
London daily sugar (raw)	$265.4s	+7.0
London daily sugar (white)	$262.0s	+3.0
Tate and Lyle export price	£266.0	+7.0
Barley (English feed)	£111.5v	+1.0
Maize (US No. 3 yellow)	£127v	
Wheat (US Dark Northern)	£122s	
Rubber (spot)♥	68.00p	+0.50
Rubber (Oct)♥	74.50p	+0.50
Rubber (Nov)♥	75.00p	+0.50
Rubber (KL RSS No 1 Oct)	320.5m	-0.5
Coconut oil (Philippines)§	$550s	+10
Palm Oil (Malaysian)§	$420s	
Copra (Philippines)§	$385	
Soyabeans (US)	$212.5	+2.5
Cotton "A" Index	57.75c	+0.90
Wooltops (64s Super)	635p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Oct. s-Sep/Oct. w-Oct/Nov. v-Oct/Dec. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
Sep	865	864	872	858
Dec	791	796	807	790
Mar	775	779	790	772
May	786	789	799	780
Jul	794	799	806	792
Sep	812	812	824	810
Dec	853	852	862	851

Turnover: 4285 (4505) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 13: 973.97 (986.31); 10 day average for Sep 14: 986.70 (996.30).

COFFEE £/tonne

	Close	Previous	High/Low	
Sep	1060	1105	1095	1054
Nov	1065	1095	1088	1042
Jan	1060	1082	1077	1033
Mar	1046	1063	1060	1015
May	1042	1057	1053	1015
Jly	1046	1060	1055	1015
Sep	1056	1070	1053	1046

Turnover: 5409 (3019) lots of 5 tonnes
ICCO indicator prices (US cents per pound) for Sep 13: Comp. daily 114.36 (115.00). 15 day average 111.53 (111.32).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low	
Oct	237.50	235.80	238.40	232.60
Dec	240.80	241.80	240.80	239.00
Mar	236.20	234.80	237.80	232.40
May	231.80	230.80	231.60	227.40
Aug	230.00	227.80	229.00	
White				
Oct	258.00	261.80	260.00	254.00
Dec	252.50	253.00	254.80	249.00
Mar	255.00	256.00	257.00	250.50
May	257.00	257.80	258.50	253.50
Aug	258.80	—	257.00	253.50
Oct	256.00	—	257.00	252.00
Dec	258.80	—	252.00	

Turnover: Raw 6123 (3896) lots of 50 tonnes. White 1621 (1435).
Paris- White (FFr per tonne): Oct 1638, Dec 1595, Mar 1590, May 1605, Aug 1605 Oct 1606.

GAS OIL $/tonne

	Close	Previous	High/Low	
Oct	126.25	120.75	127.80	122.00
Nov	127.75	122.25	129.50	124.50
Dec	130.25	124.80	131.80	126.75
Jan	130.80	124.80	130.25	128.50
Feb	128.25	123.50	128.25	127.80
Apr	124.80	120.50	124.00	

Turnover 11849 (6283) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Sep	106.85	106.80	106.65	
Nov	110.75	110.00	110.75	110.15
Jan	112.75	112.30	113.80	112.60
Mar	115.40	114.80	115.50	115.10
May	118.10	117.80	118.30	117.90
Barley				
Sep	104.10	103.40	104.10	103.95
Nov	106.80	106.05	107.00	106.45
Jan	109.50	108.80	109.50	109.05
Mar	111.85	110.80	111.65	111.15

Turnover: Wheat 306 (361). Barley 453 (144).
Turnover lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 1,500 tonne
Cash	2500-20	2495-515		2440-60		
3 months	2480-70	2450-90		2415-20	2460-500	9,743 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 14,700 tonne
Cash	1460-5	1460-5	1445	1446-8		
3 months	1429-30	1395-6	1438/1392	1394-6	1437-8	44,855 lots
Copper, Grade A (£ per tonne)						Ring turnover 42,550 tonne
Cash	1471-2	1446-8	1471/1468	1471-2		
3 months	1424-6	1394-5	1426/1407	1417-8	1427-8	83,858 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1390-400	1370-5		1390-400		
3 months	1380-5	1350-5		1417-8		39 lots
Silver (US cents/fine ounce)						Ring turnover 60,000 ozs
Cash	646-7	640-3	647	647-8		
3 months	659-62	653-6		660-1	443 lots	
Lead (£ per tonne)						Ring turnover 7,575 tonne
Cash	362-4	366-8	366/363.5	362.5-3.5		
3 months	367-9	370-1	371/367	369-9.5	368-9	10,871 lots
Nickel ($ per tonne)						Ring turnover 1064 tonne
Cash	11800-900	11800-50	11750/11700	11650-700		
3 months	11000-50	11050-200	11050/10950	10950-1000	11000-50	6,413 lots
Zinc ($ per tonne)						Ring turnover 9,275 tonne
Cash	1345-7	1350-2	1346	1344-6		
3 months	1326-8	1332-3	1335/1328	1323-30	1334-5	20,742 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Nov	59.0	62.0	60.0	
Feb	67.0	70.0		
Apr	93.3	94.9	94.0	92.5
May	104.5	105.0		

Turnover 417 (107) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Oct	181.50	175.80	181.00	175.50
Dec	189.50	185.00	189.50	186.10
Feb	195.80	189.80	195.80	194.00
Apr	195.00	190.80		
Jun	184.00	178.00	184.80	
Aug	151.00		181.80	

Turnover 404 (246) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Sep	1320	1319	1320	1305
Oct	1440	1428	1440	1415
Jan	1500	1495	1500	1475
Apr	1530	1519	1535	1515
Jul	1335	1320	1335	1306
BFI	1284	1283		

Turnover 589 (277)

WOOL

THE RENEWED surge in Australian wool prices is not welcomed in the UK or in western Europe generally. Merinos and especially finer merinos are in strong demand. Causing problems in Bradford in the specialised British wool top market is a large purchase by China most of which has yet to be covered in wool. Prices all-round are higher and often very sharply but there is no corresponding improvement in business. This is subdued and assessments are not helped by import competition in earlier processing and some exchange rate problems for exporters. Top quotations are erratically up with about 670 pence per kg. asked for 64s super, 485p for 58s super, 375p for 50s carded and 340p for 50s english.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	421½-422	251½-252
Opening	421½-422	249-249½
Morning fix	421.90	249.360
Afternoon fix	421.50	251.417
Day's high	429¼-429¾	
Day's low	420-420½	

Coins	$ price	£ equivalent
Mapleleaf	434-439	259-262
Britannia	434-439	259-262
US Eagle	434-439	259-262
Angel	433-438	258½-261½
Krugerrand	421-424	251-253
New Sov.	99-100	59-59¾
Old Sov.	99-100½	59-60
Noble Plat	537.85-543.9	317.85-21.65

Silver fix	p/fine oz	US cts equiv
Spot	384.95	651.00
3 months	395.50	664.65
6 months	406.30	679.80
12 months	432.20	709.10

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Jan	Nov	Jan
2300	259	240	56	101
2450	157	153	112	170
2600	100	106	194	259
Copper (Grade A)	**Calls**		**Puts**	
2250	205	167	46	120
2350	142	122	83	172
2450	94	86	133	234

US MARKETS

IN ACTIVE trading, energy markets rallied sharply in response to news concerning an apparent accord between OPEC and non-OPEC producers, reports Drexel Burnham Lambert. Trading volume approached 150,000 contracts. Despite a lower U.S. trade deficit figure, precious metal prices were firm. Higher crude oil prices and some trade buying in the market led to stability. Rainfall in Brazil sent coffee prices down over 200 points in the December contract. Demand by Egypt pushed sugar futures up by 23 points in October. Cocoa prices fell slightly, due mostly to a sell off in London. The grain markets had quiet sessions in the soyabeans, maize and wheat. Commercial buying late in the session kept the markets higher on below normal volume. In the meat markets, trading was also light with mostly local activity. Trading in cotton was heavy due to news of the hurricane approaching some cotton producing states. Prices rose over 100 points in the December contract with most of the buying originating from the trade.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Sep	421.3	421.5	422.5	422.5
Oct	422.7	422.9	425.0	421.3
Nov	425.3	425.5	0	0
Dec	428.0	428.2	430.3	426.9
Feb	433.8	433.8	435.6	433.0
Apr	439.1	439.2	441.0	438.7
Jun	444.6	444.8	446.0	444.5
Aug	450.4	450.6	0	0
Oct	456.2	456.4	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	522.0	518.7	527.0	518.5
Jan	525.8	520.7	529.0	520.5
Apr	531.3	525.7	533.0	530.0
Jul	537.5	532.2	0	0
Oct	544.3	538.7	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Sep	648.9	647.7	655.0	650.0
Oct	651.7	650.7	0	0
Nov	656.4	655.4	0	0
Dec	661.0	660.0	667.5	659.0
Jan	666.2	665.2	0	0
Mar	676.5	675.5	682.5	676.0
May	687.5	686.3	692.0	681.0
Jul	698.3	697.3	703.5	700.0
Sep	709.3	708.5	0	0
Dec	726.0	725.0	731.0	731.0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	110.00	108.90	110.90	109.40
Oct	108.50	107.60	108.50	106.00
Nov	106.10	105.75	0	0
Dec	103.70	103.90	105.30	103.20
Jan	101.40	101.60	0	0
Mar	96.90	97.80	98.20	95.90
May	93.70	93.80	94.50	94.00
Jul	91.20	91.20	92.00	91.50
Sep	89.20	89.20	89.50	89.50
Dec	86.90	86.90	87.80	87.80

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Oct	15.31	14.56	15.42	15.05
Nov	15.12	14.43	15.25	14.60
Dec	15.02	14.42	15.20	14.86
Jan	15.01	14.44	15.20	14.85
Feb	15.10	14.51	15.20	14.95
Mar	15.15	14.86	15.32	14.99
Apr	15.24	14.66	15.32	15.03
May	15.37	14.72	15.37	15.20
Jun	15.40	14.79	15.42	15.05
Jul	15.42	14.86	15.46	15.42

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Oct	4365	4183	4400	4290
Nov	4434	4234	4434	4350
Dec	4510	4315	4515	4415
Feb	4510	4329	4512	4435
Mar	4370	4188	4375	4325
Apr	4220	4069	4225	4200
May	4170	3989	4170	4100
Jun	4110	3939	4119	4050

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1214	1215	1220	1208
Dec	1237	1241	1262	1212
Mar	1199	1212	1222	1185
May	1216	1226	1226	1203
Jul	1235	1245	1240	1230
Sep	1250	1270	1275	1249
Dec	1290	1306	1306	1289

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	124.50	127.80	125.60	124.50
Dec	125.60	127.72	126.50	124.80
Mar	124.34	127.06	125.60	124.05
May	123.61	127.25	125.00	123.80
Jul	123.83	127.25	126.25	123.50
Sep	123.00	124.00	125.00	123.00
Dec	122.80	123.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	10.52	10.30	10.53	10.22
Jan	10.05	9.80	10.20	10.06
Mar	10.47	10.34	10.48	10.23
May	10.22	10.15	10.22	10.02
Jul	10.07	9.98	10.07	9.93
Oct	9.93	9.85	9.93	9.73
Jan	9.63	9.45	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	56.85	55.49	56.85	55.75
Dec	56.61	54.67	55.80	54.37
Mar	55.70	54.05	55.85	54.45
May	56.95	54.15	56.18	54.65
Jul	56.35	54.60	56.44	55.20
Dec	56.50	56.70	57.80	56.80

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	190.20	191.80	192.00	189.50
Nov	178.40	178.75	179.20	177.00
Jan	166.70	166.70	167.20	165.75
Mar	164.65	164.60	164.60	163.75
May	163.50	163.55	163.65	163.10
Jul	162.50	162.55	0	0
Sep	151.50	161.55	0	0
Nov	161.50	161.55	0	0
Jan	161.80	161.55	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Sept 15	Sept 12	mnth ago	yr ago
1871.3	1877.0	1878.3	1646.1

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	134.02	133.18	131.59	128.21
Futures	137.66	136.46	135.50	130.80

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Sep	880/4	876/0	885/0	875/0
Nov	893/4	889/0	898/0	887/0
Jan	902/6	899/4	906/0	897/4
Mar	908/6	904/6	913/0	902/0
May	898/0	895/0	903/0	894/4
Jul	888/4	885/4	893/0	885/0
Aug	873/0	871/0	877/0	868/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Sep	26.56	26.20	26.64	26.15
Oct	26.72	26.32	26.80	26.25
Dec	27.20	26.87	27.32	26.72
Jan	27.47	27.15	27.65	27.05
Mar	27.97	27.70	28.15	27.55
May	28.25	27.95	28.35	27.75
Jul	28.15	27.85	28.35	27.95
Aug	28.00	27.70	28.15	27.95

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Sep	280.5	279.2	281.0	279.0
Oct	279.2	278.5	280.5	277.6
Dec	278.7	278.0	280.5	277.2
Jan	278.7	276.2	279.0	275.5
Mar	273.5	271.7	276.0	272.0
May	268.5	266.0	270.0	267.0
Jul	264.0	262.5	265.0	263.0
Aug	258.5	253.0	260.0	255.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	286/0	286/4	288/4	285/0
Dec	300/4	299/4	302/4	298/4
Mar	305/2	304/6	307/2	306/4
May	307/4	307/4	310/0	306/4
Jul	305/0	304/6	307/4	304/0
Sep	285/2	284/6	288/4	285/0
Dec	273/0	273/2	276/4	273/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	413/2	411/0	413/4	408/4
Dec	428/6	426/6	429/0	424/0
Mar	432/6	430/2	433/0	428/0
May	410/4	407/0	411/0	406/4
Jul	377/4	378/0	377/4	372/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	70.55	70.30	70.67	69.92
Dec	71.97	71.87	72.20	71.42
Feb	72.65	72.56	72.86	72.10
Apr	74.07	73.82	74.15	73.45
Jun	73.22	73.05	73.30	72.80
Aug	70.45	70.10	70.60	70.05
Sep	70.50	70.50	0	0

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	38.55	38.65	38.97	38.50
Dec	40.56	40.27	40.85	40.25
Feb	43.32	43.17	43.55	42.95
Apr	42.77	42.80	43.20	42.70
Jun	47.40	47.35	47.80	47.35
Jul	48.05	48.00	48.25	48.05
Aug	46.70	46.65	47.15	46.60

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	48.30	48.15	48.90	47.80
Mar	48.65	48.70	49.40	48.40
May	50.25	50.60	50.90	50.05
Jul	51.02	51.25	51.80	51.80
Aug	49.77	49.70	50.70	49.72

مطابق للأصل

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

GERMANY

ITALY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

SOUTH AFRICA

JAPAN

AUSTRALIA

HONG KONG

SINGAPORE

CANADA

TORONTO

4pm prices September 13

OVER-THE-COUNTER

Nasdaq national market, 3pm Prices September 13

Continued from page 39

TOKYO - Most Active Stocks

Wednesday 14th September 1988

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	180.3m	783	+27	Mitsubishi Heavy	23.4m	838	+19
NKK	153.4m	739	+21	Kobe Steel	22.4m	571	+13
Kawasaki Steel	137.9m	789	+15	Nippon Yusen	16.3m	770	+35
Sumitomo Metal	88.1m	630	+16	Toshiba	16.2m	1,110	uch
Nisshin Steel	27.4m	1,250	-10	Mitsui OSK Lines	14.1m	645	+35

INDICES

NEW YORK — DOW JONES

CANADA

NEW YORK ACTIVE STOCKS

3pm prices September 14

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A - A - A –								
21⅞	14	AAR s	.36	1.4	26	136	26½	25⅞	25½	+ ⅛
16⅛	9¼	ACM n				906	9¾	9⅝	9¾	
12⅛	9¼	ACMIn n1.25e		11.		389	11⅛	10⅞	11⅛	+ ⅛
12⅛	10⅝	ACMSc n1.26		12.		435	11	10⅞	10⅞	– ⅛
10⅛	8⅞	ACMSp n.28e		2.7		250	9⅛	9⅛	9¼	+ ⅛
28⅞	16½	AGS			21	83	28⅛	30½	29½	
7⅛	2⅞	AMCA				10	5⅞	3⅞	3⅞	
8	3¾	AM Intl				103	5⅝	5½	5⅝	+ ⅛
28⅛	17	AM Int pf 2		9.2		6	21⅝	21⅛	21⅝	
68	28¼	AMR			9	4019	45¾	45	45½	– ⅞
18⅛	5¼	ARX			11	34	7⅛	7⅛	7⅛	– ¼
19½	36¼	ASA	3	7.9		233	21⅞	37½	27¼	+ ⅞
22¼	9½	AVX	.06e	.3	12	61	18¾	18⅞	18¼	+ ½
63⅛	40	AbtLab	1.20	2.6	16	5252	48⅞	43⅞	49½	+ ¼
27⅛	15⅞	Abitibi g	1			23	18¾	18⅝	18¾	+ ¼
18½	8½	AcmeC	.40	4.3		43	9⅞	9⅛	5⅛	– ⅛
9⅛	8¾	AcmeE	.32b	4.8	47	11	6⅞	6⅝	6⅞	– ½
20	14⅛	AdaEx	3.05e	20.		40	15⅝	15¾	15½	
19¼	6⅞	AdamMl	.24	1.5	76	183	16½	16½	16½	
24⅞	7½	AMD				2827	11½	11¼	11½	
56¾	29¼	AMD pf	3	8.8		16	64¾	34¼	34¾	
9¼	4⅞	Adobe				111	7¼	7⅞	7⅞	+ ⅛
16⅞	16¾	Adob pf 1.84		11.		13	17½	17¼	17½	+ ⅛
21⅞	17½	Adob pf 2.40		11.		11	21	20⅞	20⅛	
12⅛	5⅞	Advest	.12	1.4	10	206	8⅝	8½	8½	– ⅛
51⅛	39½	AetnLf	2.76	3.8	8	6106	51⅛	40⅞	39½	–1½
38¼	38½	AflPb s	.20		7	819	39	40⅞	27⅞	+ ¼
21⅛	19	Ahmans	.36	5.4	18	984	16¾	18¼	16⅛	– ⅛
4¾	1⅛	Aileen				134	4⅛	4⅛	4⅛	
53⅛	20	AirPrd	1.20	2.6	12	2362	43⅞	40⅛	43⅞	+ ⅛
27½	11⅛	AirbFrt	.30	3.5	23	18	17⅛	17⅛	17¼	– ⅛
19¾	8¼	Airgas			18	115	13⅝	14⅝	14⅛	– ⅞
38	13½	Airlease	2.40	13.	16	39	18⅞	18⅛	19⅞	+ ½
9⅛	7¼	AlaP dpf.87		9.4		866	9⅛	9⅛	9⅛	+ ⅛
139	86⅛	AlaP pf 9.44		10.		n120	93	93	93	

Continued on Page 39

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
60¾	20	Xerox	3	5.5	10	3101	55½	54¼	54½	− ⅛
35	19¾	XTRA	.72	2.2	14	2250	22⅛	32½	32⅛	
39¾	17½	Yorkin			10	112	33	32⅝	32	
54	38¼	York Ind				209	53⅛	53⅛	53⅛	+ ⅛
6⅝	2¼	Zapata				36	2¾	2⅝	2⅝	− ⅛
37	13½	Zayre	.40	1.7	187	20054	23⅛	22	23½	+1⅛
18¾	9¼	Zemex	.40	3.1	16	21	12⅞	12⅝	10⅞	+ ⅛
30	10	ZenitE				3561	22¼	21½	21¼	+ ⅛
10¼	6¾	Zenith s	.28e	2.9		234	10	9⅞	9⅝	− ⅛
5½	1	vjZenLb				420	1½	1¼	1¼	+ ⅛
21⅞	12¾	ZeroLb	.025	4.4	9	88	16¼	10¼	18¼	− ⅛
18⅞	11⅛	Zero	.40	2.5	12	71	15⅛	13⅞	15⅛	
27¼	10	Zurein	.68	2.8	15	268	24⅛	22⅞	24⅛	+ ⅛
11⅛	7⅝	Zweig	1.05e	9.9		293	10⅞	10⅛	10⅞	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices September 13

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 2pm prices September 14

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

Continued on Page 37

AMERICA

Surprisingly good deficit news gets muted response

Wall Street

THE reaction of equities and bonds to what was an unequivocally good set of US trade figures for July was less than dramatic, *writes Janet Bush in New York.*

The seasonally adjusted $9.53bn trade deficit in July compared favourably to estimates of a shortfall of $11.2bn to $11.5bn. The only offsetting factor was an upward revision in June's deficit to $13.22bn from $12.54bn previously reported.

However, the components of July's trade improvement were overwhelmingly encouraging. Exports rose a seasonally adjusted 0.7 per cent, a modest rise which should allay fears that booming exports are putting inflationary strain on US industrial capacity. Imports fell 6.9 per cent, suggesting a weakening in domestic demand.

In spite of all these positive elements, the equity market's reaction was only subdued. The Dow Jones Industrial Average rose by as much as 12 points in an immediate reaction to the trade release before giving up all those gains. The index then started moving modestly higher in reasonable volume.

By 2pm, the Dow was quoted 8.35 points higher at 2,091.39 on volume of more than 113m shares.

US Treasury bonds reacted very positively, jumping a full point at the long end of the yield curve but then slipped back. By midsession, prices stood around ¾ point higher. The yield on the Treasury's benchmark 30-year issue fell to 8.94 per cent.

The dollar rose sharply in reaction to the trade data. At midsession in New York it was quoted at Y134.45, up from an earlier low of Y133.35 but just below a peak of Y134.70 and at DM1.8770 compared with an earlier low of DM1.8467.

Traders in both markets said the positive reaction to the trade figures was partially offset by disappointment about US industrial production figures for August which showed a rise of 0.2 per cent as well as an upward revision in July's increase to 1 per cent from 0.8 per cent. Some analysts had expected a small decline in August.

Another offsetting negative factor for bonds yesterday was a jump in oil prices after marked weakness earlier this week on news of an OPEC meeting and concern about production in the Gulf of Mexico because of Hurrican Gilbert. On the New York Mercantile Exchange, crude for October delivery was quoted about 50 cents higher above the $15 a barrel mark. Earlier this week, crude was quoted near to $14 a barrel.

The Dow reached a high of 2,105.26 yesterday morning but swiftly bounced back from that level, a discouraging sign of the market's mood. It seems that investors and institutions are taking the opportunity of even a small rally to take profits.

Among featured stocks yesterday was TW Services which added $1⅞ to $22⅝ after rising $1⅞ on Tuesday. The stock has been in heavy demand since Mr Ronald Perelman sold his 14.9 per cent stake in the company which triggered speculation about a possible takeover bid from another company or investor.

F W Woolworth continued to rise on speculation that it may be a target of the Haft family. It added $1⅛ to $52⅛ having risen $2 on Tuesday.

Insurance stocks came under pressure yesterday on concern about claims which may result from Hurricane Gilbert, heading for the Gulf of Mexico coast. Aetna Life & Casualty dropped $1⅛ to $50⅞ and Chubb slipped $⅝ to $57¼.

Oil stocks tended higher. Chevron added $⅞ to $44⅛, Mobil $⅛ to $43⅞ and Atlantic Richfield $1 to $81⅞.

Compaq Computer added $⅞ to $54⅞. It is one of nine computer companies which announced on Tuesday that they have joined forces to challenge IBM's role as the company which sets industry standards. IBM dropped $⅛ to $114⅞.

Sweden contemplates Greens on the menu

Sara Webb on how Sunday's general election could alter the flavour of the market

WHEN the Social Democrats win a general election in Sweden, the stock market plummets immediately afterwards and then rises for the remaining three years of the term, notes Mr Erik Penser, the Swedish financier who controls Nobel Industries.

When the non-socialists win, the opposite happens.

However, predicting what will occur after Sunday's general election will be more difficult, because this time polls indicate that the Green Party will enter Parliament and hold the balance of power between the two blocs.

"We will see a totally new element of uncertainty if the Green Party comes in as a decisive force, and I think the stock market will look upon such a situation as generally unfavourable," says Mr Bengt Ryden, Stock Exchange chief executive.

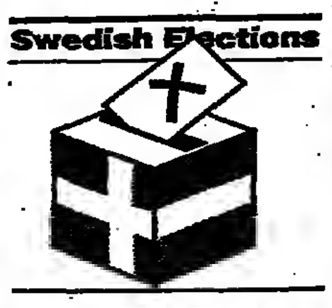
"The Greens do not seem to look on the financial markets as providing any benefit at all to the economy – they will be an uncertain factor on all economic issues," he adds, pointing out that a minority Social Democrat government could be forced into bargaining with the Greens.

Investors are clearly reticent about the bourse in the run-up to the election, and have not had the additional temptation of any big takeovers during the summer months to encourage them back into the market.

In recent weeks they have tended to stay on the sidelines. Daily turnover has averaged between about SKr200m and SKr250m ($31m and $39m), which is well below the spring average of about SKr600m. The Veckans Affärer Total Index has hovered around the same level throughout the summer lull, reaching 1,087.1 on Tuesday.

"The market has been very flat this summer but, if the Greens come in, there's a risk it will fall immediately," said a broker from PKbanken.

Swedish Elections



The Green Party proposes raising the capital gains tax on share transactions, instead of the turnover tax.

The National Association of Share Owners warned its members in a recent newsletter not to vote for the Green Party, as its proposals ran counter to their best interests. Its conclusion was that the non-socialist parties would be the most positive towards small shareholders.

"The stock market is extremely sensitive to taxes and what is important here are transaction costs and capital gains taxes," says the exchange's Mr Ryden.

"We have seen from the Social Democrats indications that they would consider maybe raising the capital gains tax on shares to penalise what they call speculation, but maybe also cutting income tax on dividends to stimulate long-term investment for dividends: it is difficult to know how that would balance," says Mr Ryden.

Both Mr Ryden and the Share Owners' Association also point to the Social Democrats' long track record of introducing new taxes which have affected the financial markets – while also playing an important role in raising government income.

A 1 per cent turnover tax was introduced in 1984, then doubled in 1986, raising transaction costs in Stockholm to such heights that foreigners shifted trading in the blue chips overseas, where costs were lower. A new turnover tax is to be introduced in January covering options and money market instruments.

However, Mr Ryden remains hopeful that foreigners can be wooed back to trading in Stockholm if they are given exemption from the turnover tax. Mr Kjell-Olof Feldt, the Finance Minister, has said he may consider exemption from the turnover tax for foreigners, while both the Liberals and Conservatives are in favour of getting rid of the tax as soon as possible.

"The stock market appreciates the Social Democrats' capacity to take decisions and their reputation for being industry-oriented. Furthermore, the Finance Minister is very popular," says Mr Ryden.

SOUTH AFRICA

LOSSES made by gold stocks in Johannesburg were cut towards the close as the bullion price recovered slightly and the financial rand weakened, but most shares still closed steady to lower.

Interest was subdued as the market awaited the US July trade data.

Randfontein dropped R2 to R236, Beatrix eased 25 cents to R12 and Kloof and Driefontein each closed at R31, both 25 cents lower, while Vaal Reefs was unchanged at R238.

Diamond stock De Beers was steady at R38. In mining houses, Anglo American slipped 10 cents to R51.40.

Canada

TRADING picked up in Toronto yesterday with gains in gold and base metal stocks helping to take the composite index up 10.1 to 3,274.5 by midsession.

Most active Futurtek Communications, unchanged at 3 cents, said its directors would meet today to consider plans to sell all or part of its assets.

ASIA PACIFIC

Volume swells as confidence rises

Tokyo

A BRIGHTER market environment stimulated share prices and volume yesterday, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average closed up a modest 11.51 at 27,805.67 after moving from a high of 27,899.74 to a low of 27,776.51.

Volume, however, rose significantly to 1.06bn shares compared with 877m on Tuesday. Declines outnumbered advances by 447 to 407 while 185 issues were unchanged.

Later in London, Japanese shares picked up sharply, with the ISE/Nikkei 50 index gaining 15.20 to 1,820.54.

The Tokyo market will be closed today to mark Respect for the Aged Day.

The increase in volume yesterday was welcomed by some as evidence that the market could move into a long-awaited bull phase. "We are beginning to feel that the market might turn fairly bullish this fall (autumn), just as we had predicted," said Mr Hiroshi Tagushi, deputy general manager of the equity department at Nomura Securities.

Others who are less optimistic said the high concentration of volume in the top four stocks (roughly 60 per cent of the total during the morning session) signalled that the market was still dealer-oriented.

Most analysts agreed, however, that greater volume on the day when US trade figures were due suggested the market has recovered a measure of confidence. Interest rate fears have largely evaporated, at least for the time being, and the proposals for a capital gains tax are still caught up in the Japanese Diet (parliament).

Steel issues were sought throughout the day on reports of strong earnings projections. Nippon Steel, again the most heavily traded issue at 160.3m shares, rose Y21 to Y763. NKK, the second most active issue at 153.4m shares, was also up Y21 at a record high of Y739. Kawasaki Steel, third in the list, gained Y19 to an all-time high of Y797 before finishing Y15 better at Y793.

Shipping stocks rose on news that most are likely to have larger recurring profits, due to personnel cutbacks and other rationalisation efforts. Nippon Yusen, reported to be expecting an increase in recurring profit for fiscal 1988 of Y1.4bn, advanced Y30 to Y770. Mitsui OSK Lines rose Y35 to Y545 on news that it expected recurring profits for this fiscal year to increase by Y1.4bn.

Meiji Milk Products attracted buying interest after a report that a group of West German and Japanese researchers had found a gene holding the key to the spread of the AIDS virus. The spreadof rumours that Meiji Milk was involved in the research project pushed it up Y70 to Y1,130 in morning trading. However, it closed only Y10 higher at Y1,070.

Activity in the bond market was limited as investors remained cautious before the closing of their accounts at the end of this month. In block trading on the TSE, the benchmark 105th governemnt bond began at the day's lowest yield of 5.135 per cent and finished at 5.170 per cent, the highest.

Trading in Osaka was also active, with volume up to 131m compared with 121m on Tuesday. The OSE average rose 16.62 to 26,654.05.

Roundup

THE RELEASE of the US trade data, due after the close of Asia Pacific markets, restrained afternoon trading to some extent, but most bourses ended higher.

AUSTRALIA saw overseas and domestic demand for blue chip industrials and finished higher in buoyant trading. The All Ordinaries index put on 18.8 to 1,549.4.

Fletcher Challenge added 7 cents to A$3.87 on news of a 50 per cent annual profits rise and Ariadne rose 3 cents to 20 cents on reports that the Essington Group had bought a 17.9 per cent stake in the company.

Bank stocks saw good turnover with Westpac soaring 26 cents, or 4.5 per cent, to A$5.98.

Firmer commodity prices gave Comalco 13 cents to A$4.18, CRA 10 cents to A$8.50 and North Broken Hill 7 cents to A$2.75.

HONG KONG managed a slightly busier day than on Tuesday, when volumes hit a two-year low, but remained quiet amid a reluctance to take positions before the release of the US trade data.

The Hang Seng index put on 7.98 to 2,481.57 and volumes rose in value to HK$321m from the previous day's HK$267m.

SINGAPORE was inspired by the overnight gain on Wall Street and closed higher across the board, although afternoon profit-taking ate into gains.

The Straits Times industrial index rose 4.61 to 1,067.52 and volumes increased to 16.9m shares from Tuesday's 15.2m.

EUROPE

De Benedetti rumours inject spice

THE EUROPEAN equity market burst into life yesterday as rumours, many focusing on the De Benedetti group, swept France and Italy, and Frankfurt broke through a key resistance point, *writes Our Markets Staff.*

PARIS buzzed with speculative activity as luxury goods group LVMH held centre stage, rising again to a year's high in extremely hectic trading.

The volatile activity helped boost volumes to healthy levels for the second consecutive session. Some estimates had total turnover in Paris surpassing Tuesday's FFr2.8bn.

The day started strongly with the CAC General index jumping 5.2 to 359.2. By the close, share prices were up 2.7 per cent with the OMF 50 index 9.76 higher at 370.43.

LVMH, which had to fight for the spotlight with such stocks as Valeo and Cérus, ended FFr196 higher at FFr3,366, having reached FFr3,456. Volume climbed to 590,000 shares in Paris, and London brokers also reported exceptionally heavy trade.

Financière Agache was actively building up its stake amid rumours that the two camps in LVMH – Louis Vuitton and Moët Hennessey – were doing the same before next week's shareholders' meeting. There were contrary suggestions that Moët shareholders might be selling out and that a third camp could be forming (Vuitton is linked to Agache). One analyst said: "I do believe that we're going to see the breakup of this company."

Car components maker Valeo, in which Mr Carlo De Benedetti's Cérus has a controlling 20 per cent stake, was busy again, climbing FFr17 to FFr555. Cérus added FFr15 to FFr425, also in heavy volumes. Competing rumours had Mr De Benedetti either selling or buying Valeo stock. Suez, also linked to the De Benedetti camp and the plethora of rumours, climbed FFr6.50 to FFr279.

MILAN was also alive with rumours about the De Benedetti group as many of its stocks showed further strong gains. CIR, the holding company, rose L265, or nearly 5 per cent, to L5,760.

Speculation centred on the realisation that the group had raised a large amount of cash from recent divestments and might have found "another juicy target," as one broker put it. These divestments included the sale of part of its stake in Société Générale de Belgique and the sale by Duménil Leblé, in which De Benedetti is the major shareholder, of its 40 per cent holding in the multi-faceted Rivaud group.

One suggestion here was that the De Benedetti group planned to sell its stake of roughly 4 per cent in Suez of France to buy into the French insurance sector.

The Comit index gained 1.53 to 519.73 and volume was estimated to be similar to Tuesday's L94.5bn.

FRANKFURT finally pushed through the 500 level on the FAZ index, taking it to a year's high for the second day running and encouraging talk of a run to the next resistance point of 520.

The gains were made on heavy local buying as well as interest from Switzerland and the UK, with volume in domestic shares in Frankfurt rising strongly to DM3.87bn.

The FAZ at midsession gained 5.05 to 504.64 and the DAX index closed 17.64 higher at 1,224.36. Some prices were marked up further after the close when the US July trade figures came out much better than expected.

Deutsche Bank closed DM12.50 better at DM505.50 and was later offered up to DM513 in London before coming off slightly.

Volume was again concentrated in blue chip stocks such as Daimler, up DM14.40 at DM693.90, and Siemens, DM10 higher at DM458 before climbing to DM462 in the after market. Insurer Allianz, one of this week's strongest performers, put on a further DM35.50 to DM1,630.

Bonds were boosted by a generous DM12.6bn securities repurchase allocation and by Bundesbank selling of dollars during the morning, with the yield on the August 1998 federal bond falling to 6.62 per cent from 6.67 per cent.

BRUSSELS also enjoyed an active session, featuring utilities and select stocks such as oil company Petrofina and steel cord maker Bekaert. The *cash market index rose 27.8 to* 5,035.6 and turnover was estimated to be around the BFr750m level, compared with BFr500m-BFr600m in recent weeks.

Intercom added BFr45 to BFr3,510 with a heavy 24,250 *shares traded and Electrafina* found BFr90 to BFr7,610.

Energy and engineering holding company Tractebel saw more unidentified buying, rising BFr100 to BFr8,250 with 8,250 shares dealt. The attractive price fuelled speculation that Petrofina, up BFr75 at BFr12,900, might exercise its warrants for just under 5 per cent of Tractebel.

AMSTERDAM made two rallies, first on the US trade figures and then on Wall Street's strong opening, but there was little sign of any follow-through. Volume was described by one broker as "moderate" but trading was *mainly between market makers.* The CBS all-share index gained 1.2 to 97.2.

The main corporate news was the share swap between publisher Elsevier and Pearson of the UK. Elsevier gained Fl 1.40 to Fl 60.80 and the sector was helped higher by the deal, with Wolters Kluwer, of which Elsevier owns a third, rising Fl 3.50 to Fl 152, and VNU up Fl 2.50 at Fl 91.

ZURICH was enlivened in the last half hour of the session by a stable dollar, following cautious trading earlier, and shares ended a little higher. However, profit-taking tipped stocks off their highs. The Crédit Suisse index rose 2.8 to 466.0.

OSLO gained after the US trade data report, as investors re-emerged. The all-share index picked up 1.99 to 272.31.

Aker, the offshore engineer*ing and construction concern,* dropped NKr1.50 to NKr37. It said it expected to lose up to NKr250m on installing equipment on the Gullfaks C oil platform in the North Sea.

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY SEPTEMBER 13 1988					MONDAY SEPTEMBER 12 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (85)	139.00	+0.7	121.43	115.93	4.06	138.08	120.70	114.61	152.31	91.16	172.66
Austria (16)	87.61	+0.2	76.54	84.11	2.49	87.43	76.42	83.83	98.18	83.72	98.15
Belgium (63)	115.71	+0.0	101.09	112.29	4.49	115.76	101.19	112.05	139.89	99.14	129.93
Canada (126)	116.99	+0.7	102.21	104.29	3.32	116.20	101.58	104.21	128.91	107.06	135.54
Denmark (39)	125.55	+0.0	109.69	121.41	2.45	125.51	109.72	121.07	132.72	111.42	115.46
Finland (26)	117.40	+0.5	102.56	108.02	1.59	116.84	102.14	107.41	139.53	106.78	—
France (128)	93.62	+1.1	81.79	92.41	3.51	92.56	80.91	91.15	99.62	72.77	114.45
West Germany (100)	77.86	+0.6	68.02	74.89	2.47	77.38	67.64	74.22	80.79	67.78	103.28
Hong Kong (46)	100.88	+0.2	88.13	101.15	4.82	100.64	87.98	100.91	111.86	84.90	146.00
Ireland (18)	130.95	-0.1	114.40	127.20	3.73	131.05	114.56	127.09	144.71	104.60	142.00
Italy (100)	70.64	+0.4	61.72	72.80	2.76	70.39	61.53	72.49	81.74	62.99	84.33
Japan (456)	160.98	+0.6	140.64	135.59	0.54	159.99	139.85	134.91	177.27	133.61	142.88
Malaysia (36)	138.24	-0.5	120.77	140.93	2.78	138.93	121.44	141.68	154.17	107.83	177.05
Mexico (13)	148.94	+0.7	130.12	372.10	1.46	150.05	131.17	374.87	180.07	90.07	94.87
Netherland (38)	102.94	+0.2	89.93	97.96	4.69	102.71	89.79	97.60	110.66	95.23	125.88
New Zealand (20)	71.32	+0.2	62.31	61.09	6.13	71.16	62.21	61.04	84.05	64.42	136.01
Norway (25)	108.86	+0.4	95.11	101.44	2.95	108.46	94.82	101.18	132.23	98.55	178.26
Singapore (26)	121.66	-0.3	106.29	114.20	2.40	122.05	106.69	114.40	135.89	97.99	170.45
South Africa (60)	104.78	+0.1	91.54	87.26	4.93	103.68	90.63	87.16	129.07	103.68	183.09
Spain (43)	137.10	-0.8	119.77	128.58	3.51	138.26	120.87	129.05	164.47	130.73	162.72
Sweden (35)	116.41	+0.1	101.70	110.42	2.58	116.31	101.67	110.24	125.50	96.92	130.46
Switzerland (55)	75.17	+0.4	65.67	72.65	2.36	74.89	65.46	72.12	86.75	74.13	109.26
United Kingdom (323)	124.08	+0.8	108.40	108.40	4.71	123.10	107.61	107.61	141.18	120.66	152.60
USA (580)	109.35	+0.3	95.53	109.35	3.64	109.05	95.32	109.05	112.47	99.19	129.87
Europe (1009)	102.10	+0.6	89.20	94.51	3.86	101.50	88.72	93.85	110.82	97.01	126.57
Pacific Basin (669)	157.71	+0.6	137.79	133.39	0.76	156.75	137.03	132.70	172.26	130.81	144.15
Euro-Pacific (1678)	135.48	+0.6	118.36	117.90	1.70	134.66	117.71	117.23	147.53	120.36	137.18
North America (706)	109.74	+0.3	95.88	109.06	3.62	109.41	95.64	108.77	113.29	99.78	130.17
Europe Ex. UK (686)	88.33	+0.4	77.17	86.00	3.16	87.96	76.89	85.43	92.99	80.27	110.40
Pacific Ex. Japan (213)	118.36	+0.4	103.41	105.78	4.28	117.86	103.03	105.04	128.27	87.51	159.79
World Ex. US (1877)	134.54	+0.5	117.54	117.25	1.77	133.73	116.90	116.60	146.49	120.26	137.78
World Ex. UK (2134)	124.82	+0.5	109.05	115.13	2.16	124.23	108.60	114.63	133.77	111.77	132.97
World Ex. So. Af. (2397)	124.86	+0.5	109.08	114.67	2.37	124.24	108.61	114.14	132.39	113.26	134.35
World Ex. Japan (2001)	107.37	+0.4	93.80	103.77	3.74	106.93	93.47	103.32	112.43	100.00	130.76
The World Index (2457)	124.74	+0.5	108.98	114.49	2.39	124.12	108.50	113.96	132.38	113.37	134.67

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Latest prices were unavailable for this edition.

SECTION III

FINANCIAL TIMES SURVEY

Thanks to dramatic advances in electronic processing technology and telecommunications, the plastic cards industry is now in the midst of a revolution which looks set to transform retail banking and finance in the 1990s and create a highly sophisticated global payments system. **David Barchard** reports.

An exuberant market place

Plastic cards

THE PLASTIC CARDS indnstry is barely three decades old. Most of its major features date back only to the 1970s. Yet it is now in the midst of a revolution which is likely to transform retail banking and finance in the 1990s and have a pervasive influence on the lives of almost everyone living in the advanced industrial economies.

Dramatic advances in telecommunications and electronic processing technology are sweeping away many of the original divisions between different parts of the market. The first generation of plastic cards handled what was in many respects an elite business with a few card issuers offering a limited number of products to customers of proven creditworthiness in national markets.

The plastic cards industry of the 1990s promises to be quite unlike this. The swiftness and accuracy with which processing centres can analyse transactions by individual card users has allowed the banks to turn an elite service into a mass market.

It has also led to international alliances between banks which have evolved into global payments systems of steadily increasing sophistication and flexibility operating in almost every corner of the world. There are only a handful of countries left where the logos of Visa, MasterCard, and American Express are not to be found on the doors of banks and major stores.

A decade ago, most travellers would not go abroad without a wallet of traveller's cheques. Though the traveller's chequa business is still thriving, the business traveller of the 1980s can, if he wants, rely solely on plastic cards to pay for plane tickets and hotel and restaurant bills. Very often he can also draw ready cash in local currency from the automatic teller machines of local banks.

The authorisation needed for these transactions travels from Paris to Tokyo or from Glasgow to San Francisco and back within a few seconds. The assumption that international plastic card payment services will be availabla is built into modern international business life and tourism and they find it increasingly hard to function without them.

However the electronic technology which has created global payments systems is having even more far reaching effects on domestic retail banking markets.

The change began when small banks and savings institutions such as the British building societies began to offer their customers plastic cards to withdraw money from their accounts or to use when shopping.

A stream of new entrants has joined the British credit card market in 1988, bringing a degree of competition which was quite unforeseen even five years ago, while making it much more important which brand name a card carries or which payments network it belongs to.

The Visa network now has no fewer than 28 members in the UK, while the six banks which belong to Access, the UK affiliate of MasterCard, no longer see exclusivity on their network as a strength. Instead news that other institutions are negotiating to become issuers of MasterCard in the UK has become a morale booster.

The change in attitude is linked to the knowledge that within a few years paper-based retail payment methods will face a strong challenge from electronic ones. No one is expecting cash (or for that matter cheques) to disappear totally. But British retailers estimate that, by the mid-1990s, about three quarters of the payments which today are made by cheque will be made by passing a plastic card through an electronic terminal and relaying details of the purchase to a bank compnter. Electronic payment will also replace about half the transactions which are paid for by drawing money out of an automatic telling machine (ATM).

Awareness of this impending change dominates the strategic thinking of the retail banks in many countries outside the UK. In Europe it has ended two decades of resistance to plastic cards payment methods in Germany, where the banks invested heavily in sophisticated paper-based money transmission systems. Even the plastic card which guaranteed the Eurocheque now looks like becoming a financial instrument in its own right.

In Britain, Halifax Building Society, the country's third largest retail finance institution, has decided not to follow its building society competitors in issuing cheqne books, because it believes that in the very near fnture, electronic technology will have made it possihle for its customers to meet all their payment needs with a plastic card.

Already in most European countries, electronic terminals are used in garages to pay for petrol. Experiments for much more wide ranging uses of electronic payment methods are underway in Britain and elsewhere. Some countries, notably Denmark, are moving well ahead of the pack.

The electronics and computer industries of Europe and the US have spawned a host of companies eager to provide technology, software, and hardware for tha axpected electronic payments systems revolution of the 1990s. Many seem doomed to be disappointed.

All revolutions claim victims. The plastic cards revolution is unlikely to be an exception. The major payments systems themselves are aware that their position is potentially fragile. Is there any necessity for two rival worldwide card networks like MasterCard and Visa, when one would probably do?

Is there a real need for charge cards like American Express (for which the customer has to pay) when credit cards like Visa are available either more cheaply or, as in Britain, completely free and can be used at a greater number of outlets?

Technology may force even more awkward choices. Ensuring standardisation and interoperability both between institutions and networks and betwean different countries requires constant effort. Tha heads of the major credit card organisations spend at least one day in every three on the road.

The magnetic stripe technology on which the new electronic terminals is based not only took several years to standardize. It has also been outdated already by a new generation of "smartcards" with microprocessors built into them. But much of the investment made by French companies and others into smart cards may turn out to have been money badly spent.

Most card issners believe that the cards and the terminals of the 1990s will have to rely on magnetic stripe technology, while the 8K French smart card has itself been overtaken by a 64K German smart card which does not even have the microprocessor in the same place and is incompatible with the French terminals.

The rise of the plastic card, and the electronic technology which goes with it, brings obvious benefits to two of the three parties involved. Banks will save time and money currently spent processing paper and will be able to assemble a far more detailed understanding of their customer base than they have ever had before, which should help them to sell more of their products.

Retailers will get increased security egainst fraud, prompter payment and a much better understanding of their customer base which should help them also to sell more of their products.

Consumers should have the ease and convenience of being ahle to make a purchese, whether large or small, no matter where they happen to be. Electronic payment with cards should be swifter and smoother than with cash or cheques. In the longer term, cardholders should be able to keep track of their payments and purchases much more easily and to control their personal finances more effectively than with traditional payment methods.

However not everyone is easy about the changes. In the UK the Monopolies and Mergers Commission is studying the credit cards industry and is due to report next year. The European Commission is also looking at the consumer protection issnes involved as well as ways of creating a single plastic cards payments market in Europe.

But the legislators give the impression of trailing well behind the pioneers in an exuberant market place where the pace of change is continually accelerating and no one can yet predict when things will finally settle down.

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It is by no means obvious that all the present card networks will survive indefinitely

Market giants battle for global domination

EARLY THIS summer tempers flared up between the UK affiliates of the world's two largest plastic card payment systems, Visa and MasterCard, which are locked in an incessant global battle for market dominance.

Barclaycard (the largest UK Visa member) reported Access, the UK MasterCard affiliate, to the Advertising Standards Authority for allegedly getting some of its figures about its worldwide network of merchant outlets wrong.

The numbers game dominates the credit card industry. With the market expanding steadily, statistics change monthly and are watched as anxiously as Roman generals inspected chickens' entrails before battle.

"There are liars, damn liars, and credit card statisticians," joked Mr Charles Russell, president of Visa International, at a meeting of the industry earlier this year. Numbers are needed to impress potential cardholders to use one card more than another. But there may be a more fundamental reason why card issuers tend to worry about them.

The present card networks are all relatively recent creations of the last decade or two, established when the plastic cards industry was in its infancy and before the majority of retail banking institutions had become interested in issuing cards.

It is by no means obvious that all the present card networks will survive indefinitely, particularly in a market in which every retail banking institution now looks likely to become a card issuer.

As the number of issuers grows, the respective strengths and weaknesses of the networks on which they operate become more apparent and the penalties for inflexibility, usually a symptom of excessive domination by a single bank or group of banks, become greater.

That at least seems to be the lesson to be derived from the history of Visa, today generally regarded as the dominant player in the international plastic payments card market.

From its origins in 1958 as a Bank of America bank card experiment in Fresno, California, Visa grew in what Mr Joao Ribeiro de Fonseca, chief general manager for Visa International Europe, describes as "a dramatic technological evolution".

Key elements in its success in pulling ahead of MasterCard, have been adaptability and the strong branding of Visa International's gold white and blue logo.

To join Visa, banks pay a standard fee schedule, partly linked to their size and partly to the number of transactions, though there are minimum and maximum levels.

Barclaycard, however, handles negotiations with retailers in the UK for the Visa network in the UK. Other members could also engage in setting up retailer networks themselves, but the cost is generally regarded as prohibitive.

This flexibility can make interregional co-ordination awkward. Some Visa members speak privately of signs of strain between the organisation's different regions.

Today according to Mr Bowden there are no fewer than 27 UK Visa card issuers, and the card holder market seems to be moving inexorably towards 20m. When the building societies began to issue their own credit cards earlier this year, the first four – Halifax, Abbey National, Leeds, and National & Provincial, – all opted to join Visa.

A few years ago, that would not have upset the six Access banks, who together make up the UK arm of MasterCard, and indeed are believed to have shown the door to others wanting to join.

Now that policy has changed. Visa's growing dominance in the UK and international plastic cards markets has forced MasterCard and Access to reassess their position and begin attracting new issuers.

The six Access banks have not surrendered what they see as their card's strong brand recognition to potential newcomers to the system but they have signalled that they will allow them to join it under the MasterCard label.

"By December this year, the UK MasterCard network will look entirely different," says one Access executive. The most likely new entrants to the network are Save & Prosper and the Bank of Scotland.

MasterCard still faces serious obstacles in its bid to become more Visa-like. For a start, it is encumbered by its legal status as a company with shareholders which makes it much harder to accommodate new entrants to the market than the Visa association.

It has also adopted a sideways approach to the Europe market by signing an agreement in March which confers exclusive rights to license and market MasterCard products in Europe on Eurocard. This was in exchange for a 15 per cent stake in Eurocard International. Though MasterCard International has some blocking rights, the agreement was generally interpreted as involving something of a sacrifice on the part of MasterCard.

Eurocard has not developed a mass base for its card comparable with MasterCard's achievement through Access. Yet Eurocard has emerged from the agreement looking very much the primary brand and in control of the market not just in Europe but also in the Soviet block countries, Turkey, and Israel.

Serious discontent inside MasterCard International over the deal seems to be part of the background to the resignation in July of Mr Russell Hogg, president and chief executive of the organisation, after eight and a half years devoted to upgrading MasterCard's international relationships.

Mr Hogg's departure comes after the loss of four executive vice presidents in two years at MasterCard International in New York, and the expected departure of a fifth before the end of this year.

Not everyone is convinced that there needs to be two international plastic card payments systems. "I could imagine a merger in some shape or form during the next decade," says one British banker. Others, less kindly, compare the rivalry between Visa and MasterCard to the struggle between VHS and Betamax for the video market.

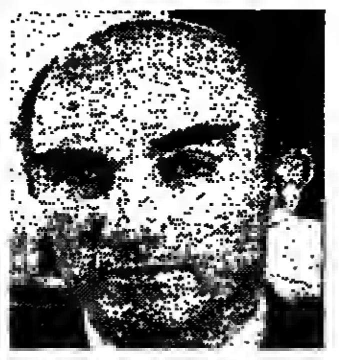
Many banks in the US already belong to both organisations, and in Britain, Lloyds Bank, a founder member of Access, this spring joined Visa to launch its new debit card. The advent of the first generation of electronic terminals in the UK, Switch and PDQ, has meant that in Britain Visa and MasterCard are already routing some of their transactions through each other's networks.

In the US, Visa and MasterCard joined forces in October last year to launch a debit card together, called Entree, though it has yet to find much favour with the market.

As long as MasterCard has a cardholder and retailer outlet base which is of the same order of magnitude as Visa, ideas of a merger will probably be resisted. Some MasterCard members, such as the Access banks in the UK, enjoy a flourishing business and have little to worry about as far as their own card products are concerned.

David Barchard

Tony Lee, of Access



Patrick Bowden, of Visa

HOW THE CARD LEADERS COMPARE

	Access	Visa	Amex	Diners
UK Cardholders (m)	12.2	15.3	1.1	0.3
Electronic terminals	3,000	3,000	n.a.	n.a.
UK & Ireland Retail Outlets	312,000	300,000	165,000	100,000
UK ATMS	6,800	3,500	14*	n.a.
Worldwide Outlets (m)	6.2	6.0	2mn	1mn
Worldwide Cardholders(m)	144	175	27	5.7
Worldwide ATMS	n.a.	29,329	n.a.	n.a.
EEC outlets	1.29m	1.42m	n.a.	n.a.
EEC Cardholders	15.4m	29.48m	n.a.	n.a.
EEC ATMS	10,000	11,096	39**	n.a.
Average Credit limit	£1,061	£895	n.a.	n.a.
Average Balance	£413	n.a	n.a.	n.a.
% Transactions Electronically captured or submitted	30			27

* American Express cards can also be used at 1,357 Link ATMs, as well as a further 1,500 Matrix ATMs from the spring of 1989. ** Can also be used in a further 3,939 shared ATMs belonging to other institutions.

JARGON

The language of plastic

ATM — automatic teller machine for dispensing cash to cardholders, usually after they have identified themselves with a PIN (q.v.). Most banks and building societies have now joined forces to link their ATM networks to those of other institutions.

BANK CARD — a card issued by a bank rather than a non-banking organisation, sometimes used loosely to mean cheque guarantee card.

CHARGE CARD — a card which submits a monthly bill to the customer which must be settled in full. Best known example is American Express.

CREDIT CARD — a payment card which has a revolving credit attached to it, so that the customer can purchase goods or services up to an agreed limit but need only part of his or her debt every month.

CREDIT REFERENCE — details of an individual's credit and borrowing history. These are compiled in the UK by two commercial organisations, CCN and INFO-LINK, relying on addresses and the electoral role. If you are not on their books, you may find it difficult to persuade a financial institution to lend you money. You may obtain details of your credit history stored with them upon payment of a small fee.

DEBIT CARD — a card which has no credit attached and deducts the cost of your purchase from your bank account in three or four days. Connect, and the Lloyds Visa Card are the two best-known UK debit cards. Debit cards tend to rely on electronic technology and are likely to become more widespread in the 1990s. Connect, the oldest card, only made its debut last year.

EFTPOS — electronic funds transfer at point of sale. Using a plastic card in a terminal at a retail outlet to communicate details of a purchase directly to the card issuer's computer. EFTPOS UK is the inter-bank organisation which is setting up a formal electronic clearing system for such transactions.

FRANCHISE — a commercial structure in which exclusive rights to market a particular good or service are granted in return for a fee. Diners Club is the main plastic card payment system relying on the franchise system.

GOLD CARDS — One of American Express's most famous inventions. A prestige card for upper-income groups, usually with a large automatic borrowing facility attached. Gold Cards, and the even more select Platinum card (not available in the UK) are geared to the needs of high spenders and do not have the credit limits which in effect apply even to charge cards.

INTER-OPERABILITY — the ability to use one institution's plastic card in another's ATM or EFTPOS terminal. Electronics has made it fairly easy to achiava, but the cartelistic impulses of some European banks are still standing in the way.

MAGNETIC STRIPE — tha black band on the back of a plastic card. It contains encoded information about the issuer, the holder to communicate to a computer at the time of a transaction.

MEMORY CARD — a card which has some data, usually about a prepayment, stored in it. A telephone card is the most familiar example.

MERCHANT ACQUIRER — the member of a payments system who handles negotiations with retailers. Barclaycard is the merchant acquirer for the 27 UK members of Visa International.

MERCHANT DISCOUNT — the commission a retailer has to pay a plastic card company for each transaction made in its shop with its card. In practice, it is a percentage deducted from the value of transaction by the card company when making payment to the retailer. Merchant discounts have been falling in the UK in the last few years, and typically stand at between 2 and 3 per cent.

ON-LINE — a computer term. A direct telephonic connection with the card company computer at the time of the transaction. EFTPOS transactions can be on line, but many smaller ones are off-line.

PAYMENTS SYSTEMS — formalized arrangements between banks or other institutions for payment on a regular basis. These can become an independent organisation in their own right, e.g. Visa International or MasterCard International.

PRODUCT ENHANCEMENT — the practice of adding on fringe benefits and attractions to the basic payment service offered by a plastic card to get the customer to use one card rather than another. Free travel insurance is one of the oldest forms of product enhancement.

PIN — personal identification number. A four figure digit issued to cardholders for use in electronic transactions where the traditional form of identification, the signature, cannot be used. One's PIN is the key to one's money and should always be kept secret.

REAL TIME — another computer term meaning that an ATM (q.v.) shows transactions as they occur and, up to the minute, instead of a record of the balance at the end of the previous day. Halifax's Cashcard offers the best real-time service in the UK. Of the major clearing banks, only TSB offers its customers real time in its ATMs.

SMART CARD — a card with a microprocessor in it which can exchange information with a computer. So far financial services applications have been slow to emerge.

STORE CARD — a payment card issued by a retailer or chain. Many retailers now attach a credit to their store cards. Marks & Spencer's store card is probably the best known. There are about 10m store cards in circulation in the UK.

TRAVEL & ENTERTAINMENT CARD — Cards such as the American Express card aimed chiefly at business customers who use the card primarily to pay for hospitality and travel.

David Barchard

The Monopolies and Mergers Commission is taking a second look at the credit card industry

Probe produces a measure of unease

BY MAY next year, a committee of the Monopolies and Mergers Commission is due to report on its findings after the second inquiry in just over eight years into the credit card industry.

It is a prospect which makes most credit card organisations a touch uneasy. Last month Visa and Access members received a preliminary notification from the MMC that it regards them as operating a monopoly. Before the end of the year, they must submit evidence to it to show that they are not working against the public interest.

Most credit card organisations feel that they have been unfairly singled out by this second inquiry. Charge cards, such as American Express and Diners Club, were included in the 1980 report, but have been omitted this time. Most credit card issuers also agree with Mr Tony Lee, chief executive of the Joint Credit Card Company (JCC), when he expresses mild surprise that store cards, are not in the MMC Committee's terms of reference.

He said: "It is more than a little ironic that the inquiry is coming at a time when competition between credit cards is increasing rapidly."

One credit card official goes further. "The decision to appoint a new inquiry, I think, basically reflects the disappointment of the Office of Fair Trading that some recommendations of the last MMC Report on credit cards were ignored by the government. I very much wonder whether the MMC are fully cognizant of what the real issues in the plastic cards industry are now. Indeed, given their narrow terms of reference, it is doubtful if they can be expected to be."

Debit cards, an area where existing law on consumer protection has virtually nothing to say, are another topic which many feel should have been included.

The 1980 Report found that Barclaycard and the Joint Credit Card Company were both operating monopolies. In the case of the JCC, this was a "complex monopoly", one in which several different organisations participate.

The MMC recommended that the card issnera (inclnding American Express and Diners Clnb) should be forced to drop their policy of insisting that traders be prevented from charging slightly more from customers who pay with credit cards rather than cash.

Excessive profits were identified as another possible danger and the report asked and "whether it is reasonable for cardholders who settle their accounts in full each month to receive up to 55 days free credit."

Since then the credit cards have become much coyer with their annual profit figures, usually burying them inside a general figure for the retail services arms of the banks they belong to. However the need to be so reticent may less strong today than a few years ago. Competition is making the cards market less effortlessly lucrative than it was.

Barclays for instance disclosed last March that Barclaycard profits in 1987 were down on the previous year.

The argument that the profits are made by networks which do not admit new entrants has also crumbled somewhat with the steadily proliferation of Visa card issuers and the expected entry of new MasterCard issuers in the UK later this year.

However one credit card chief points out that that the JCC will remain more vulnerable than Visa to charges of operating a complex monopoly (a monopoly, by the way, is any market share over 25 per cent.)

"Access will still remain an exclusive branding and the shareholder structure of the JCC is much more rigid than that of Visa. So the Commission may well find that there are important differences between the two organisations as far as monopolistic implications are concerned."

Some issues however remain common to both. "Is it right that the person who cannot pay his bill in full on time should subsidise those who can?" says one credit card specialist. "That is really one of the key issues. After 20 years or so, the public has still not woken up to the fact that, in the credit card industry, you have the poor or the less well off paying to give the well-off free credit."

Equally contentious is the relationship between the retailers and the credit card agencies. If the previous MMC investigation had had its way, the credit card industry would have developed completely differently in the 1980s. Retailers would have been free to pass on to the customer some of the costs of the merchant commission they have to pay each time a card is used in their shops, and so allowed them to steer customers toward preferred forms of payment.

Few cardholders realise that the card they select to pay with may make a considerable difference to the commission the merchant has to pay, and the time he will have to wait to get his money back.

David Legge, of the Burton Group, says: "The merchant fee is the nub of the problem. The retailer has to pay with reduced profits for letting his customers use a card. In the US, in petrol stations, different rates are allowed for cash and card payment, but you can't do that here. Bnt this is only because of the *diktat* of the bankcards."

He believes that this situation exists because retailers originally did not coordinate their approach. Since the mid-1980s however, Mr Legge says that they have banded together more strongly and are now better placed vis-a-vis the banks.

Any move by the government – in the light of the MMC report – either to give merchants more discriminatory powers or to cut down on the profitability of credit cards might have unwelcome consequences for cardholders.

"It is quite likely that the card issuers would have no option in that situation but to follow the precedent already set in the US and start charging an annual fee for card ownership," says one Access issuer. "A lot of card issuers already believe that there ought to be a charge to the cardholder anyhow."

Outside the card issuers themselves however, there are those who see opportunities looming ahead of the MMC committee if it chooses.

"This is an inquiry which, if it seizes its chances, could set the ground rules for the plastic cards industry in Britain for the next decade and beyond," says one London official concerned with the industry. "I very much hope that it will see its task in that perspective."

David Barchard

ELECTRONICS

Revolution is waiting

AT THE heart of the plastic cards revolution of the late 1960s lies the knowledge that EFTPOS – Electronic Funds Transfer at Point of Sale – is finally just around the corner.

Some time in the middle of 1989, EFTPOS UK, the electronic clearing system, will launch its inaugural service in three cities in Britain. After that, in the words of Mr Brian Allison, managing director of EFTPOS UK, the system "will roll out naturally" to the rest of the country.

Though few people expect either cash or cheques to disappear altogether, by the mid-1990s, EFTPOS will be moving towards the stage at which it becomes the dominant payment method.

Work has been under way for two years and in mid-July this year, EFTPOS completed work on the initial stage of the central switch in its payment system, testing transactions with three pioneer members, Lloyds, Bank of Scotland and Barclays. According to Mr Allison, the tests, of basic operations and security rather than actual traffic throughput, have gone "remarkably well."

However, while Mr Allison strives to set up a retail electronic clearing system, electronic shopping has already arrived for a growing number of retailers and consumers. For more than a year, both Barclaycard and Access have operated electronic terminals (called PDQ and Accept respectively) at a total of 6,000 retail outlets.

Both PDQ and Accept began as simple on-line authorisation operations, are relatively unsophisticated compared to what is promised for the full EFTPOS service of the 1990s.

EFTPOS UK's system is far more elaborate and has cost the banks a great deal to build. Mr Allison will not give a figure, but says that press reports that it has cost £50m are not wide of the mark. Other bankers privately suggest that the cost may have been even higher.

The soaring costs of contributing to the scheme led one of its original participants, Girobank, to withdraw early on. Girobank is now continuing its own private EFTPOS experiments with Sainsburys.

EFTPOS UK has 14 members, including banks and building societies, as well as the Joint Credit Card Company, the Southend-based organisation which produces and processes Access credit cards for its six member banks.

Not surprisingly then, its founders tend to view EFTPOS as a development of the bank current account and cheque system, which will gradually take over the role of the paper-based money-transmission. It would link bank, retailer, and consumer in a guaranteed payments and settlement system at the point of sale.

EFTPOS would incorporate and add to all the security of traditional retail banking, taking over where the most advanced refinements of paper-based money transmission leave off.

"The cheque guarantee card is really the ultimate off-line system," says Mr Allison.

This would make EFTPOS UK the retail equivalent of BACS, the bulk electronic clearing and interbank transfer system which handles such things as direct debits and standing orders, but basically caters for the corporate rather than the retail customer.

The lynchpin of this system will be plastic cards communicating with the system through the magnetic stripe on their backs. These will mostly be personal debit cards issued by banks – "electronic cheques of the future", as Mr Allison prefers to call them.

Barclays' Connect cards, are the first of this new generation, though EFTPOS will also have no problem in handling the banks' own credit cards. All will carry the blue and yellow logo of EFTPOS UK and be welcome in its terminals throughout the UK.

Plastic cards issued by non-banking organisations are another matter. "Neither American Express nor Diners Club have applied to join EFTPOS UK as full members," says Mr Allison, "and they will not be able to take part in the inaugural service."

"EFTPOS UK is a reflection of the thinking behind the European Accord (between 40 European banks) which is designed to establish a common *electronic delivery system* in Europe with common standards," Mr Allison says.

The banks see themselves as carrying both the heavy costs of running current account operations and the investment burden of setting up the new electronic networks. The charge card organisations, in their view, cream off the best customers, and exact the highest merchant commissions, while contributing little or nothing to the development of payment services.

This is not an argument which cuts much ice with Mr Steve Goldstein, president of American Express TRS, UK and Ireland. American Express, like everybody else in the market-place, recognizes that retailers will not be willing to have more than one kind of terminal on their shop counters. Inter-operability (the ability of several different payments systems to work through the same network of terminals) is therefore essential. "We are major Eftpos players ourselves," says Mr Goldstein. "We have our own authorisation *terminals*. All you need is a reciprocal agreement to have a bias-free transaction capability. We will pay our full freight in terms of transactions charges."

As things stand however, American Express and other outsiders to EFTPOS will have the secondary role of "sponsored service providers", paying a fee to another organisation which will process their transactions.

However the card issuers may not have things all to themselves in the development of EFTPOS. The evolutionary approach favoured by the retailers seems to be at least equally strong in the market place.

Retailers have become major plastic card issuers themselves, and over the last year many of the larger retail groups have begun installing their own electronic terminals in a pre-emptive move.

Mr Bob Woodman of the Retailers' Consortium announced in June that the number of EFTPOS terminals in the UK is expected to have jumped from 8,000 at the end of last year to 30,000 at the end of 1988. There are already almost three times as many on-line as off-line.

By 1995, the Consortium predicts that there will be about £2.2bn electronic purchase transactions a year, covering 45 per cent of the total value of all transactions and 19 per cent of their volume. Today's unused debit cards will be used in 60 per cent of transactions with credit or charge cards making up less than half of the total.

"At peak hours," announced Mr Woodman, "transactions will be running at the rate of 1,000 per second."

The benefits which both banks and major retailers stand to gain from an EFTPOS system of this kind probably make its introduction inevitable. The advantages include the speeding up of payments and the elimination of paper from the system; reduced administration; and a probable drop in fraud.

Just how much the consumer will benefit from EFTPOS is less clear. There should be clear gains in ease and swiftness of payment (provided of course that queues do not build up at the terminals). But some consumer groups fear that EFTPOS could leave the individual consumer very vulnerable in several respects. If his card is stolen and his bank choses not to believe him, he may have no recourse against it. Disputes of this sort are already occurring.

However just as retailers resisted bank pressure when the first debit cards were introduced, consumers seem to be taking their time to accept debit cards. Unless ordinary customers see clear advantages, EFTPOS use is unlikely to gain the momentum after 1990 which the banks and retailers are counting on.

David Barchard

PROFILE: JOAO RIBEIRO DA FONSECA

Extending the Visa network

"WE ARE a service organisation for banks, and hopefully their preferred consultant," says Mr Joao Ribeiro da Fonseca, chief general manager for Visa International's Europe, Middle East and Africa Region.

From his Kensington offices, Mr da Fonseca heads Visa International's European electronic clearing and authorisation operations, with on-line connections to each country in Europe, and real-time switching *capacity for messages*.

The network already extends as far as Israel, Jordan, and the United Arab Emirates. Kuwait and Saudi Arabia will be linked into the network soon. In five years time, it should be reaching out to sub-Saharan Africa.

From Kensington, authorisation messages travel on to Visa International's other clearing and authorisation centres in San Francisco and Tokyo, returning with an answer in a few seconds.

"It is a very sophisticated network," says Mr da Fonseca. "We don't need to analyse the credit worthiness of each customer, we can analyse each transaction in real time. Electronics has freed cards from the days when they could only be issued to credit-worthy individuals. The criteria for issuing cards can be expanded and the banks can enjoy total penetration of the mass market."

It is a far cry from the early 1970s, when Mr da Fonseca, then in charge of business development at Banco Pinto e Sotto Mayor of Lisbon in his native Portugal, first became involved in the discussions for setting up a European plastic cards payment system.

Joao Ribeiro da Fonseca

In 1974 he was elected as one of the two European directors of IBANCO, the forerunner of Visa International, set up that year. He went on to join the organisation full time and help set up Visa International in 1977, and plan the transition over the following 18 months an electronic clearing and authorisation system.

His views about Visa and the plastic cards industry reflect a strong belief in the importance of retail banking. Mr da Fonseca sees a shift in the financial services sector away from corporate to retail banking.

"The corporations don't need the banks any more. The banks are left with the consumers. Thirty years ago it was important to be the banker of a big company. Today it matters to be the banker of its employees," he says.

He believes that Visa is a more "democratic and competitive" association than some of the other payments systems.

"We do not have a monolithic or uniform structure," he says "and this promotes competition between our members. We are a service organisation but we don't set prices or policies. That is up to the individual members."

He believes however that the industry is moving towards the day when bank accounts will be accessed through plastic cards. "I don't like the name debit card," he says. "Any card is really a debit card. It is better to see them as electronic cheques or branch account cards. Anyhow, that is where the trend will go."

In Europe, Visa's perspectives are dominated less by the rivalry with the MasterCard system than by the hostility of some of the major Germany banks to payments systems such as Visa. "There is a clash of two cultures here," says Mr da Fonseca. Twenty years ago the Germans made a decision to ignore the plastic card and employ a paper-based system in the Eurocheque. Both systems have been very successful in their own way, but I think it is fair to say that Eurocheque does not promote competition as we do."

In the UK, he believes that plastic cards have not always had the publicity they deserved, particularly with the launch of the first debit cards. "The press has created sympathy on the wrong issues," he says. "The UK is the only country in the world not to charge money for bank cards. I think it could happen here soon," he says.

David Barchard

Why retailers' own plastic is bad news for the banks

Sharp divide between the cards

THE SHARPEST divide in the plastic cards payments industry is not between different credit card issners or even between credit cards and charge cards. It is between the mainstream plastic cards payments systems such as Access and Visa and the the retailers with the store card.

Retailers have to pay a commission or merchant discount, usually around 2 per cent but occasionally rising to 5 per cent, on each credit or charge card transaction. Store cards not only cut out the credit card company's discount but also boost brand loyalty and, when a credit facility is attached, allow the retailer to earn interest on the balance.

Small wonder that that any mention of store cards among the mainstream credit cards issuers tends to provoke references to the high interest rates some of the store cards charge.

Annualised percentage rates on store cards range from 26.8 per cent (Marks & Spencer, Burton's Option Card with direct debit) to 39.9 per cent (Dixons). "The recent increase

Mention of store cards to mainstream credit cards issuers tends to provoke references to the high interest rate

in Barclaycard's rates has now closed the gap between the store cards' rates and the major credit cards," says Mr David Legge, chief executive of Burton Group Financial Services.

"The average merchant fee in 1987 was around 2 per cent, so that gives one a total figure of about £300m earned in commission from retailers," he says.

There are now an estimated 10m store cards in use in the UK market, issued by 20 major retailers; though large numbers of smaller organisations also put out cards of various kinds.

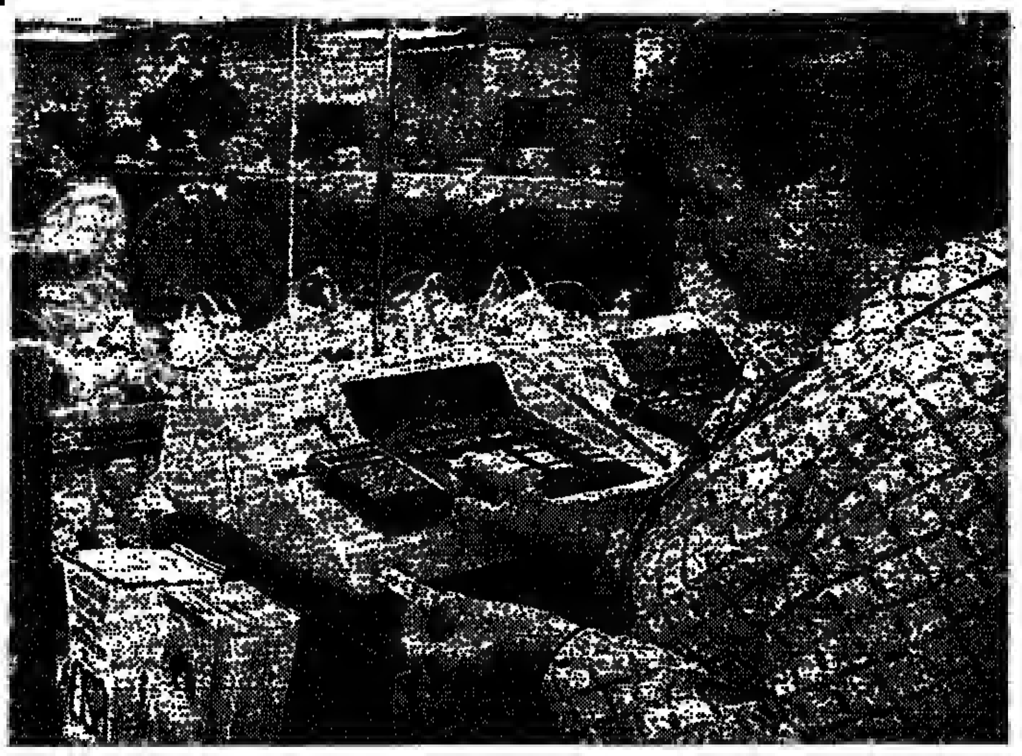
The origin of the older store cards, such as that of the Burton Group, stretch back a full quarter of a century to the time when they began as a simple addition to customer account services. However from there, the earliest cards moved over the next decade into the formal provision of credit.

In the last few years some retailers have gone further, crossing the frontier between retailing and banking and entering the financial services market directly. Four British retailers now have banking licences. In the United States, one retailer, Sears Roebnck, has gone all the way and launched its own credit card.

None of this is good news for the banks, which are already having to contend with increasing competition in the plastic cards markets. However it is the appearance on the horizon of EFTPOS and electronic payments which has propelled the store cards closer to the centre of the financial system and given major retailers clout that they would not have dreamed of a few years ago.

Two years ago, the nine largest retailers in the UK got together to form the Retail Credit Group, representing retailers who offer credit. At the end of March this year, members of the group had £1.12bn in credit balances outstanding or abont 3 per cent of total non-mortgage consumer credit.

The number of account holders among RCG members rose by 28 per cent to just under 7m, but the total amount of credit issued grew more slowly than in the previous financial year.



Above: Marks and Spencer, one of the big four issuers of store cards which increase customer loyalty
Left: Next has joined a forum along with Marks and Spencer, House of Fraser and Burton to discuss technical issues concerning store cards
Below: Burton first issued a store card 25 years ago

"These figures clearly undermine the suggestion that retailers have been fuelling the credit hoom," says Elizabeth Stanton, director of the RCG. "Retailers emerge as providers of an increasingly popular service which is being used responsibly."

This summer, four of the biggest card issuers, Burtons, House of Fraser, Marks and Spencer and Next, have created a smaller forum to discuss matters of common interest on technical card issues. One likely aim of the new forum is to forestall the creation of a banking monopoly over the new electronic terminals and networks. Barclays' attempt a year ago to impose merchant terms for its new debit card, Connect, identical to those of its credit cards, was seen as unacceptable by the retailers.

They easily won the test of strength with Barclays that followed, and subseqnent debit cards, such as Switch, are careful to respect the retailers' interests. As a result, the major retailers have launched heavy programmes of installing and operating their own point of sales terminals.

According to the Retailers Consortium, a body which represents the marketing and financial interests of the retail industry, retailers have now pulled ahead of the banks in installing electronic terminals and by the end of this year they will own about 17,000 of 30,000 installed terminals.

Burtons, for instance, has recently started an EFTPOS experiment with 600 terminals.

EFTPOS may be among the reasons why smaller stores are now also trying to get into the plastic cards business. This summer Welbeck Financial Services launched "Select", a full marketing package aimed at giving a generic card to small and medium retailers with turnovers of £10m or less a year, who would probably be unable to launch a card of their own.

Select is currently servicing about 650 retailers at 1,200outlets, and is expected to have about 100,000 customers before the end of the year.

It will enable smaller stores to give their customers a card with a budget credit facility and a fixed term repayment scheme.

The benefits which retailers see in store cards go well beyond earnings from credit. "What is involved isn't only a question of earning credit or saving on merchant discounts which would otherwise be paid to a credit card issuer," says Elizabeth Stanton. "There is also the benefit of the knowledge a firm gets from administering accounts and learning about its customers. You don't get that from sales made with bank cards or cheques."

Trusthouse Fortes for instance operate a Gold Card scheme offering about 100,000 regular customers 17 specialised cards which can be used at 15,000 outlets, 3,000 of them abroad.

According to Mr Richard Power of THF, the group consciosly eschewed giving credit, and even making growth a main priority. "It is a marketing tool designed to give genuine benefit to the customer and give us the edge over our competitors," he says. "We can't prove how much extra business it brings us, but we assume that it is there."

David Barchard

PRODUCT DEVELOPMENT

The struggle to squeeze more from the market place

"IN THIS business" says Mr Scott Thomson, Head of Product Development and Sales in Midland Bank's UK Payment Services division, "you have to keep trying to squeeze more out of the market place and you do that by making your product more attractive than others to particular segments."

The search for untapped customer potential dominates the life of all the major plastic cards issuers who have become used to seeing their holder statistics swelling by the month.

Traditionally the plastic cards market has been divided into the up-market "travel and entertainment" section and the mass market of those who were creditworthy enough to be given cards safely but not so rich as to be able to do without a revolving credit. A later arrival was the corporate or company card.

The explosion in the number of issuers in the late 1980s however is forcing much closer attention to be paid to card users and the categories they fall into.

"The future for organisations such as ours is the way they understand their customers and build up relationships with groups of individuals. The day of the general approach, when yon offered everybody the same services all the time, is over. You need to be able to identify particular types of people," says Mr Peter Ellwood of Barclaycard, the world's second oldest Visa card.

Mr Ellwood sees the classic Visa card in the UK as moving towards a point where it will have to be rejuvenated by adding on services till now associated with charge cards such as American Express; for example, the introduction of a points scheme which rewards cardholders for the purchases they make with their card and holiday and wine clubs.

These offers are aimed at customers who are wealthy enough to use their credit card more or less as if it was a charge card, and pay off their account in full every month. For those not in this category, Mr Ellwood thinks it is an entirely natural development that new low interest cards such as those launched in the UK by Save & Prosper and Chase Manhattan are now beginning to appear. "It is understandable that they are seeking to get into the market by low pricing," he says "but eventually the pricing will have to rise."

These newer credit cards are accused by their older rivals of "cherry picking" – looking for low-risk customers who want to borrow hnt will not present fraud or bad deht problems. Unless an applicant has a better-than-average credit record and good prospects of increasing his income, he may find it hard to convince the lower interest cards to take him on board.

Another way to catch customers is to get them young with products like the Visa Electron card, in which every single transaction has to be authorised. This has the advantage of making contact with young people at a very early stage, though it may be one when their long-term consumer preferences and brand loyalties have not yet settled down.

"We have to appeal to critical segments of the market and one of them is obviously young people," says Mr Steve Goldstein, President for UK and Ireland of American Express TRS. "We try to locate them in the second year of their career. We believe that if we get these people at the right point of their life, we have a good customer for life." The women's market is another area which Mr Goldstein believes has been neglected. "The women's market is not well served by anybody. Historically our products appeal to the middle-aged businessman, who is the heartland of our business. But the number of women in work is increasing."

Another neglected group are the elderly, who are fitter and wealthier these days than they were a generation ago, and enjoy dining out and travelling, while often being suspicious of credit cards – all characteristics which mark many of them out for the charge card market.

Card issuers can travel along one of two routes when they attempt to win particular groups of customer. The traditional approach has been to offer services targetted to specific needs – for instance, those of the business traveller. But some of the newer cards rely on their branding for their appeal.

Status has always been part of the appeal of the major cards, even when it was not as nakedly apparent as it is with American Express's gold card. A new generation of cards may take this further.

Affinity cards for instance – launched in the UK by Trustcard and Girobank – identify a customer with a particular charity or sport. Serious consideration is being given by some card issuers to cards aimed at particular ethnic or social groups, or just possibly clubs, schools, universities, regiments or companies.

The main obstacles are the technical ones of producing large numbers of differently-designed cards and the possibility that they might have difficulty getting themselves accepted hy merchants; though most merchants have now become adept at tracking down the relevant payment system's logo on an unfamiliar card.

Traditionally the plastic cards market has been divided into two sections. They were the up-market "travel and entertainment" section, and the mass market of those who were creditworthy enough to be given cards safely but not so rich as to be able to do without a revolving credit. A later arrival was the corporate or company card

Though it believes in identifying and seeking out new segments of the market, American Express remains committed to its standard card designs. Not so the credit cards.

"In the US, MasterCard has introduced new rules which allow the face to be used for the particular purpose selected by the Association member," says Mr Tony Lee, chief executive of the Joint Credit Card Company which issues Access, so far the only UK MasterCard brand. "This means that 80 per cent of the card face is available for use by the issuer."

Not everyone is convinced that these sorts of consideration will necessary woo customers away from one card issuer to another, even when the British market becomes saturated, something which is still some way off.

"It may be old-fashioned but I think people basically take plastic cards because they see them as being useful to them and want them to serve for a specific purpose.

"The status comes from being the sort of person who flies internationally a great deal or stays in expensive hotels, not from the picture printed on the card. The search for market growth is basically a quest for new services, but our products are new and we are still stumbling across them," says the head of another British credit card operation.

David Barchard

FRAUD

Learning to live with the darker side of the business

THE BOOMING plastic cards industry of the late 1980s works in a world with few shadows. However fraud, and the losses it gives to rise to, are an unpleasant reality that the card issuers know they have to live with.

Issuers are generally reticent on the subject, stressing that the inevitable losses they incur through fraud are at tolerable levels. It tends to be outraged card holders whose cards have been fraudulently used who are most voluble on the subject. There are plenty such people around.

"Access loses about £12m a year through fraud, though the loss per £100 of turnover is gradually going down" says Mr Tony Lee, chief executive of Access. He cites increasing vigilance by retailers and the modification of card design, in particular the introduction of the hologram, as reasons for the improvement.

"We pay £50 for every stolen card recovered by a retailer," he says, "and it seems to work. Last year, we paid out about £2m; in other words, about 40,000 cards were recovered by retailers and their staff."

According to Mr Patrick Bowden, head of Business Development at Visa, his organisation loses between 1.2 per cent and 1.7 per cent of its total annual turnover of $200bn a year as a result of fraud. Barclaycard, by far the largest UK Visa card issuer, estimates that it loses between £8m and £10m a year.

"But the losses, expressed as a per cent of turnover, are getting better," says Mr Peter Ellwood, chief executive of Barclaycard. "The figures are flat. In 1987 we lost £9m or 0.14 per cent of turnover to fraud. In 1986, it was £8.8m or 0.16 per cent."

There are several major varieties of card fraud. One is the manufacture of counterfeit cards, something which the issuers say is not widespread in the UK but which has led to major changes in card design and the introduction of the hologram on Visa and MasterCard products. A simpler fraud is to intercept a new card in the post, sign it, and use it.

Fraud and its prevalence varies widely between countries. One major gang of card fraudsters is said to operate out of Thailand. Card fraud is a more serious problem in France, where no less than a quarter of the world total is said to occur; it has been partly responsible for the early adoption of smart cards.

In order to combat fraud, the major credit card operations such as that of the JCCC at Southend work under strict security, with employees having only partial access to information about the accounts they are processing.

Fraud and its prevalence varies widely between countries. It is a more serious problem in France, where no less than a quarter of the world total is said to occur

To prevent new credit cards being recognised in the post, companies go to tremendous lengths to disguise them, varying the envelopes they travel in and sometimes even having addresses written out by hand. Both Barclaycard and Access may ask customers who live in some high-risk areas to collect new cards from their local bank branch.

Pre-notification, to remind customers that a new card is due to arrive shortly, is also becoming more widespread.

Marks and Spencer have gone one step further. Their store card is delivered through the post, but it must then be encoded at one of their terminals, with the customer identifying himself, before it can be used.

Other ideas include carbonless vouchers, introduced by Diner's Club, and various insurance schemes. Most card issuers also offer fairly cheap insurance protection against fraud, with schemes such as Cardwise. Marks & Spencer include a charge card protection insurance fee as an automatic part of their card agreement unless a customer specifically opts out of it. The cost is a monthly 64p per £100 pounds of balance.

These practical approaches are often easier than changing the technology involved in the production of a card, for instance its magnetic strip, though this has been tried in the past.

Dave Ferrer, Director of Software Sciences a Farnborough based British firm which supplies European card makers, says: "The problem often is that the technology can cost a lot more than the fraud it is intended to prevent."

Even the hologram has not won universal approval. "The hologram hasn't done anything to deter counterfeiting," says Mr Steve Goldstein, President of American Express TRS, UK & Ireland. "We believe in much tighter authorisation processes and educating the retailers in what to look to."

Mr Goldstein describes current levels of fraud losses as "acceptable", saying that American Express benefits from the security of offering a single type of product across the world. "Retailers can spot any difference immediately in a card."

Mr Richard Power at THF's Gold Card says that it has had very little experience of fraud, partly because it has a narrow customer base and partly because THF's card is primarily used in hotels where the risk of detection is high.

Some of the retail stores, on the other hand, do seem to have had severe problems with fraud in the past, despite the advantages of having a smaller number of outlets and card users.

The rise of on-line transactions should help cut down fraud risks, one reason why EFTPOS is welcomed by retailers. However one credit card chief says: "On-line transactions only assist in cutting down fraud. Nothing is absolutely secure."

Electronic payment will mean that the PIN (personal identification nnmber) becomes more important as a means of authenticating a purchase, replacing the signature. This makes some consumer groups unhappy. Not everyone can remember their PIN, safeguarding it may place undue risks on the shoulders of the user, and if a PIN is somehow intercepted and abused, banks tend to place all responsibility on the shoulders of the cardholder.

EFTPOS may face other problems. One which is sometimes discussed is the so-called "phantom" or "pirate" terminals which might some how gain entry to a network. Mr Brian Allison, general manager of EFTPOS UK, thinks such a possibility is highly unlikely.

"The initialisation process for terminals is highly protected and once a terminal is installed in the point of sale system, it is surrounded by a set of guaranteed relationships, for each of which we have to recognise a terminal sponsor," he says.

Security is also one of the factors slowing up the development of home banking, which is a logical outcome of the electronic payments revolution. "Banks and building societies have managed to build a lot of security into their ATM networks. The ATM is a secure line against hackers," says one consultant. "But they have not yet found a reliable way to ensure than an elaborate home banking system is equally secure. So home banking systems for the time being are little more than telephonic add-ons to ATM services."

David Barchard

Why automatic teller machines are multiplying so quickly

The symbol of electronic banking

THE AUTOMATIC teller machine (ATM) is, to the customer, the most obvious symbol of the electronic financial services revolution. First they sprouted through the walls of bank and building society branches, then they appeared in the banking hall. Now they are increasingly being installed in sites remote from bank premises like supermarkets.

They represent one of the most profound advances ever in banking technology. A customer operating an ATM was, for the first time, conducting a dialogue with the computer system responsible for maintaining details of his or her account.

ATMs are still evolving. The top-of-the-line machine marketed by NCR the world leader in ATM sales, the 5085, offers a host of features including cash withdrawal, cash deposit, balance enquiries, funds transfer, cheque book request, 'mini-statement and pass book updating.

The last named feature is a new development demanded by some building societies and banks in Spain but not as yet exploited by UK building societies. There is, however, considerable interest in the facility among UK financial services companies, according to Mr Paul McDermott, an ATM specialist with NCR.

The NCR machines are not the most complex or fully featured obtainable; Diebold machines manufactured in the US and marketed in the UK by Philips can claim that distinction.

Designed and built entirely in Dundee, Scotland, however, NCR machines are the undisputed market leaders with 20 per cent of the world market, 80 per cent of the European market and 50 per cent of the UK market, according to Mr McDermott.

Its principal competitors are *IBM, Diebold, Olivetti and Nixdorf.*

According to a recent report by James Essinger, a writer and researcher specialising in financial technology, there are now about 12,570 ATM's installed in the UK with 34.25m ATM cards issued to customers. Some measure of the risks the banks and building societies face in their ATM programmes is highlighted by Mr *Essinger's estimate that 13 per* cent of those cards, nearly 4.5m, are lost or stolen annually.

In the UK as in the US, proprietary ATM networks are giving way to shared networks. Among the banks, National Westminster operates a shared network with Midland Bank and Barclays with Lloyds. At present this reciprocity is limited to an exchange of cash withdrawal facilities.

The building societies and other financial institutions such as Citibank Savings and Western Trust and Savings have created two national networks Link and Matrix which have now also come to a reciprocity agreement. According to Mr Essinger, numbers of cash withdrawals increased from 12m to 450m a year over the period 1976-1986 and in 1987 this increased to 507m, or roughly 1,000 transactions every minute.

Despite well-publicised examples of ATMs which run amuck, the most recent and dramatic example of which was a dispenser which doled out almost £3,000 when faced with a request for £30, faults and complaints are low compared with this volume of use.

In 1987, the average value of a transaction was £33; this year it has risen to £40.

So there is little doubt that *ATMs will remain an* important feature of the electronic banking landscape for financial institutions and customers alike. Customers have already demonstrated they feel at ease with robot tellers.

Banks have complained that is is difficult to justify the expense of ATMs (£15,000-£25,000 a machine plus networking and telecommunications costs) using conventional accounting techniques. This, however, is a common problem where information technology is involved.

Technically, ATM networks represent a complex proposition for a financial institution. They comprise three separate components, the ATM itself and its controlling software, typically manufactured by NCR, Diebold or IBM, the network and its network management software, and the institution's own computer system.

Banks have, in the past, conventionally "wired" their ATM networks directly into their mainframe computers using their own development staff to write the necessary linking software. Today there is a trend to using proprietary networking software. The most popular example is Base/24 from the US company ACI and marketed and supported in this country by the Sema Group (formerly CAP Group).

According to Mr Michael Elson, marketing director for CAP financial services, banks today are looking for a common interface for their ATM networks, point of sale networks and branch networks and Base/24 provides that function.

Sema has supplied Base/24 to 12 UK financial institutions including Abbey National Building Society, Girobank, Lloyds bank and Midland Bank.

The use of network management software takes considerable pressure off the mainframe. Many institutions install a specialist on-line transaction processing (OLTP) computer, typically a Tandem, Stratus or IBM System 88 (a badge labelled Stratus) to run the network.

Birmingham Midshires Building Society, for example, is in the process of installing a £200,000 Stratus computer to run its network of 35 ATMs.

Stratus and Tandem machines are noted for their ability to handle OLTP — which means that customers can carry out a dialogue with the computer and have their accounts updated at the same time the transaction is accomplished — and for fault tolerance. While all computers break down from time to time, fault tolerant computers fail gracefully, retaining the memory of all the transaction they handled up to the moment of failure.

A recent survey by Tandem of UK financial services companies suggests that two days is the longest they could survive with their computer systems out of action.

Alan Cane

March of machines

UK ATM: A FACT FILE

Members	Installed ATMs	Cardholders (approx m)
Link		
Abbey National Bldg Soc		
Clydesdale Bank†		
Funds Transfer sharing (18 members)		
Girobank		
Nationwide Anglia Bldg Soc*		
Woolwich Equitable Bldg Soc*		
Total:	1300	4.5
Matrix		
Alliance & Leicester Bldg Soc		
Bradford & Bingley Bldg Soc		
Bristol & West Bldg Soc		
Leeds Permanent Bldg Soc		
National & Prov Bldg Soc		
Nationwide Anglia Bldg Soc*		
Woolwich Equitable Bldg Soc*		
Cumberland Bldg Soc		
Furness Bldg Soc		
North of England Bldg Soc		
Total:	680	1.6
C.		
Bank of Scotland♣	302	0.69
Barclays	1900	4.5
Lloyds	1574	4.5
Royal Bank of Scotland	575	1.66
Total:	4751	12.85
D.		
Clydesdale Bank†	285	0.37
Midland	1400	5.0
National Westminster	1600	4.0
Northern	170	0.17
Total:	3455	9.55
E.		
Yorkshire Bank	193	1.26
F.		
TSB Group	1326	3.56
G.		
Halifax	888	2.9

Notes: † Clydesdale is a joint member of Link and Consortium D. * Shares membership of Link and Matrix ♣ Matrix has a reciprocal relationship with the Bank of Scotland

BUILDING SOCIETIES

The Leeds led the way

IT WAS Britain's fifth biggest building society, Leeds Permanent, which stole a march on its rivals early this year and announced that it had become a full member of Visa International.

Building societies, savings and mortgage loans associations with a mutual ownership structure, have been moving steadily further into the retail banking sector in the 1980s, thanks to the gradual removal of legislative restrictions.

However it was not until the end of 1987 and the scrapping of an embarrassing flaw in the wording of the 1986 Building Societies Act, that building societies were finally freed to go directly into the plastic cards business. Before that, although the majority of Britain's 30 largest building societies did offer their customers credit cards, they had to do so through another organisation, usually a bank. And the society's name was tucked away inconspicuously on the flipside.

Leeds has been swiftly followed into the Visa International by Halifax and Abbey National, the two giants of the UK building society industry, and by National & Provincial. Other applications to join Visa are pending.

The building societies are flocking into the credit card market because, they say, all the *available market research* tells them that many customers expect a credit card as part of the services they get from their retail financial services organisation; even though others, especially in the thrifty North, still view credit cards with suspicion.

Unlike current accounts, credit card services are cheap to provide (a building society launching a card would have to pay a standard fee to Visa, related to its size, plus the cost of getting another organisation to produce and process its cards) and should quickly move into profit.

But why the general movement towards Visa? Leeds Permanent's decision to join Visa was regarded as especially telling, for Mr Mike Blackburn, its chief executive, came to the society from Visa's rival in the UK, Access.

"There are various considerations," explains a Leeds official. "Firstly there is the respective structure of Visa and Access. Visa is an association which is open to new members. The Joint Credit Card Company which issues Access cards is as its name suggests, a limited company and its ownership and share structure would have to be revised if anyone else were to join."

An almost equally strong consideration may have been the more flexible branding design of the Visa card face which gives a card issuer much more scope to imprint his logo upon it.

However uncertainties about the future of the Access/MasterCard network and its past reluctance to admit new entrants may also have played a part in the societies' decision to go for Visa.

The society's decision to opt for Visa may been one of several events tipping the scales of the market permanently in favour of that organisation. Currently Visa has 23 members in the UK compared with Access's six. This imbalance, combined with other problems in international markets, however has produced a change of heart at Access. The card design has become more flexible, and though the six banks which control the bank are not willing to admit new members to Access, they have agreed to the launching of MasterCard as an independent brand in the UK.

Among the likely candidates to become a separate MasterCard issuer is Nationwide Anglia, the country's third largest building society. A more exciting possibility might be for the larger building societies were to *opt for dual membership* and the right to issue MasterCard and Visa products.

"A spate of minor building societies becoming MasterCard issuers by themselves will not have very much effect on the market," says one credit card official.

The societies have in any case made a cautious entry into the market. Even Halifax, the largest society, has arranged for the processing of its Visa card to be handled by the Bank of Scotland, a distinctly hesitant way of doing things for an organisation which is larger than two of the four main clearing banks.

In the longer term, Halifax will probably switch to doing its own processing, especially if — as it has hinted — it proceeds in due course to launch its own debit card. Abbey National and Nationwide Anglia, the two societies which, unlike Halifax, offer their customers current accounts will have much stronger reasons for wanting to go into the debit card market, and *it may only* be development costs, coming on top of an already very expensive programme of product diversification, which are deterring them.

The building societies credit cards have come onto the market at a point when other card issuers have appeared, trying to undercut the interest rates offered by the main card issuers. Halifax has not gone along this route, although its current rate of 20.9 per cent APR is perched just below that of Barclaycard.

By joining a card payment system, the societies are also able to offer their customers access to an ATM system which goes well beyond that of Link and Matrix, the two building society ATM networks which are shortly to merge. The attraction is particularly strong for Halifax which has 800 ATMs of its own but does not belong to either of the building society networks. Its Visa Card will enable its customers to draw cash from a *far-flung network of machines* in the UK, and more importantly abroad.

If the recently-launched cards of the big societies prove a success, the second-tier building societies will almost certainly feel obliged to follow the larger ones into the market and issue their own branded cards.

Though small by the standards of the industry, these societies would be larger than some of the existing card issuers. The path these smaller societies take may be very important to the future of the two payment networks. If they all follow Halifax and Abbey National into the Visa camp, the Access/MasterCard branding will find itself sliding into a distinctly secondary place

David Barchard

National differences produce many obstacles

Europe looks for an answer

EUROPE IS the most highly developed plastic cards market in the world, after North America. But by comparison with the US, it is a poor second and a patchy one. Even in the UK there is only one card per three adults compared to nine for every ten adults in the US. For Europe as a whole, the proportion is far lower. That should mean good prospects for continued market growth.

Europe's relative backwardness in the plastic cards industry is no accident. In Britain, France, and Spain, card based payments systems have developed rapidly because banks and governments were eager for them to do so.

In northern Europe however, it is a different story. Banks in Germany have long tried to close the market to what they see as an American invasion, developing the Eurocheque in its place.

As a result, Germany, Europe's largest and strongest economy, is also its least developed cards market with only one card per 23 adults in the mid-1980s.

Now all that is changing. Electronic technology has finally tipped the scales against paper-based transmission methods hastening the development of a European-wide retail banking market.

The process is being accelerated by the European Commission and its plans for a single European market by 1992. A paper published by the Commission last year says "Cards issued in one Member State should give their holders access to services supplied in another."

The paper, entitled "Europe Could Play an Ace" called for the "desegregation" of the various card systems in the Community and the development of compatible and interconnectible payments instruments.

Commission officials admit however that desegregation cannot be imposed upon unwilling institutions. Technology has made it relatively easy to link up different ATM systems or create a unified EFTPOS network.

"But the commercial prejudices to developing a unified system in Europe are much harder to overcome than the technological difficulties," says one British software producer.

American Express and Visa have both gained secure footholds everywhere in Europe. Even in Germany, Visa now seems poised for market growth after two German banks this spring announced their decision to join as card issuers.

However divergences between national consumer preferences and spending habits remain considerable and could pose greater longer term obstacles to the growth of a unified European market.

"In France a mere 8m cards generate more sales per year than nearly twice that number in the UK," says Mr Patrick Bowden, manager of Business Development at Visa's London office, "because the card is used as a means of payment rather than as a credit instrument."

"There are no European consumers as such when it comes to credit cards," says Mr Tony Lee, chief executive of Access. "The man in the street in the UK has different tastes and needs from his counterpart in other EC countries."

However expatriates are already creating a limited cross-frontier cards market. A Briton working in Frankfurt can have a British Visa card, linked to a UK bank account but used exclusively outside the UK.

Mr Lee believes that Access could process card operations in other EC countries while leaving the "customer interface" to be handled abroad. This is more or less the way that the organisation already handles the operations of its Irish member, the Bank of Ireland. Assuming that exchange controls have been dismantled, the chief legal obstacles would probably be to do with data and consumer protection.

However until the day comes that an Access bank can offer its customers accounts in Francs or Deutsche Marks, any continental customers might find exchange rate fluctuations a deterrent to opening a UK Access account.

All this is a backdrop to the more immediate manoeuvring over the setting up a European electronic retail banking network in the 1990s. Denmark has gone furthest towards setting up an EFTPOS system, but all the major EC countries now expect EFTPOS to become a reality in the next decade.

The Germans banks and their allies last year set up the European Council on Payments Systems. Its aim is to create inter-operability between ATM systems of the different European banks at an early date and, later on, ensure that a single electronic technology prevails in retail transactions.

Last autumn the European banks met in Florence and produced a document known as the European Accord on Payments systems. The arrangements it outlined would have safeguarded the dominant position of the banks in the markets and either excluded American Express, Diner Club, and perhaps even Visa from the new system or at least made them pay heavily for the right of access to its terminals.

Visa was not even invited to send observers to the ECPS's initial meeting. For a moment it seemed possible that American Express might be locked out of the new electronic Europe of the 1990s, a thought which provoked scathing denunciations of the cartelistic tendencies of the Europeans.

Since then however the mood has altered, partly because it has become clear that the European Commission would not tolerate the setting up of blatantly anti-competitive arrangements, but also because British and French banks, have been understandably reluctant to go along with the Germans.

So will the main plastic cards in Europe turn out to be the international, familiar names? It looks increasingly like it.

There have been attempts to set up European credit cards. Eurocard, founded in the 1960s, has never developed into a real mass card along American lines. The vast majority of the 16.4m Eurocard holders in Europe is accounted for by Access's 12.2m holders in the UK. Eurocard's main asset appears to be the shrewd and rather surprising defensive alliance it concluded earlier this year with one of the US players, MasterCard, which effectively matches it against Visa.

There has been talk of a further European credit card, Europlus, to be launched by GZS, the German banks' payment system, to be called Europlus, but the idea now seems to have been dropped. However Eurocheque, the pride of the German banking world, itself seems to be evolving into a card product with the supporting cheque guarantee card taking on new functions, including the ability to draw cash from ATMs.

David Barchard

FRANCE

Card use increases but problems remain

THE CARTE Bleue, France's leading bank card, is celebrating its 20th birthday this year, but the real history of French bank cards starts only four years ago.

For in 1984 Carte Bleue, linked to the Visa network and, grouping most French banks, teamed up with the two major mutualist banks, Crédit Agricole and Crédit Mutuel, associated with the Eurocard network.

The new alliance, the Groupement des Cartes Bancaires, has presided over a rapid expansion both in the number of cards in issue and in their intensity of use.

By the end of last year France boasted a total of 16.3m bank cards in issue, nearly half of them international cards bearing either the Visa or the Eurocard-MasterCard label. These cards could be used across the country in 11,200 compatible cash distributors and in 420,000 sales outlets.

Activity surged, with 350m cash withdrawals, up 27 per cent from the previous year, and 560m payments, up 70 per cent. In value, card use rose more than 50 per cent to FFr330bn, gaining ground on the cheque, which still reigns supreme as the favourite French payment method, after cash.

At the same time, hopes heightened for the "carte à puce", the French smart card, as Norway and Italy signed up for the CP8 technology developed by France's Bull group — an early leader in the field but now facing growing competition from Japan and Europe.

If the overall picture is one of growth and development, a closer look reveals a number of problems.

In the first place, the bank card system in France is not profitable, even though precise accounts are difficult to arrive at. Mr Raoul Bellanger, director of the Groupement des Cartes Bancaires, says that total income from card holders subscriptions and from commissions paid by sales outlets amounted to some FFr3bn last year, well short of the FFr4bn it cost the banks to issue cards, handle transactions, write off their investments and absorb the cost of fraud.

Although it should be perfectly possible, he says, to reduce the cost of fraud from its present 0.2 per cent of the volume of card transactions to a target of 0.07 per cent, the cost of investments shows every sign of continuing to rise, while the commissions paid by sales outlets are falling.

The customer pays a subscription of only around FFr135

The new alliance, the Groupement des Cartes Bancaires, has presided over a rapid expansion both in the number of cards in issue and in their intensity of use

a year for a Carte Bleue-Visa, not enough to cover handling charges, while commissions have fallen from an average of 1.57 per cent in 1984 to 0.87 per cent last year for supermarkets and dropping to 0.4 per cent for hypermarkets — a third or a fourth of the level in the UK, West Germany or the US.

"Unable to make up our minds whether the bank card was simply a substitute for the cheque (which is not charged for in France) or a card of the Visa or MasterCard type (which abroad is charged heavily to the distributor), we ended up with a compromise which does not really satisfy the distributor but still costs the banks dearly," comments Mr Claude Menesguen of the Société Générale bank.

Even at this low rate of commission, however, France's retailers are not satisfied, in particular Mr Michel-Edouard Leclerc, scourge of cartels ranging from pharmaceuticals and maternity milk to books and funeral services.

Mr Leclerc set up a parallel processing system for card payments by regular customers of his Leclerc supermarkets and hypermarkets which reduced the commission, according to his calculations, to 0.1 per cent.

The Groupement, claiming that Mr Leclerc was pirating the investments and guarantees offered by its member banks, counter-attacked in the law courts and for the most part won. But the battle left cracks in what was, if not actually a cartel — as the French competition council has formally charged — at least a somewhat monolithic organisation. For Mr Leclerc was aided in setting up his system by a number of member banks, notably the Crédit Agricole of Toulouse.

A number of banks are now arguing for a more flexible system of charges, with more transparent tariffs adjusted to the circumstances of each client. They are also calling for more freedom over the introduction of new types of card, which are at present controlled by the Groupement.

For beside the battle on commissions, the banks are facing more direct competition from the retail industry, as more and more chains start to issue their own credit cards. The number of non-bank cards in issue grew by more than 50 per cent in 1986 to 11.8m, and last year is likely to have shown continued rapid growth.

Alongside single retailer cards, multi-retailer cards like the Carte Aurore issued by consumer finance specialist Cetelem, have made progress. This is a credit card, not just a debit card like the Carte Bleue. So too have co-branded cards, issued jointly by, for example, Eurocard and the Wagons-Lits transport group or Diners Club and car maker Volvo.

The major banks now want more flexibility in their cards, associating the existing payment and cash withdrawal functions with revolving credits, which provide the bulk of the profits from cards for banks in the UK or the US.

Will these additional functions be handled through the "smart card", which is now starting to spread over France after a slower than hoped for start? By the end of 1987, only around 500,000 micro-chip bank cards were in circulation, 450,000 of them in the pilot area around Rennes in Brittany. But they are gradually being issued over a wider area.

Some bankers have begun to question, however, whether they chose the right system. What they have, though it may greatly increase safety, offers only a limited array of new functions. They doubt whether it will be possible to recoup the additional FFr25 cost of each smart card from customers simply by touting its greater security (through the more widespread use of personal codes, already used at some points of sale such as the giant record and book store Fnac, to identify the card owner.)

The other main use of the smart card in France, for public telephones, has achieved an undoubted success because it offered a real additional service to the customer. France Telecom sold 17m telephone cards last year and expects to sell 26m this year.

Besides no longer having to have the right change to make a phone call, users appreciate the fact that the number of vandalised phone booths has slumped to 2.5 per cent of the total, compared with 12 per cent two years ago. The only problem is the anguish of those who have converted to the telephone card, only to discover that the village their car breaks down in is still equipped with coin-boxes.

The smart bank card may cash in on this success, for by the end of 1989 all public card telephones are to be converted to accept bank cards equipped with micro-chips — the same Bull CP8 technology is used by both France Telecom and the banks.

If bank smart cards can be used for this purpose and for other new functions, such as telephone shopping through the public Minitel videotext network, they may be able to win the French consumer's loyalty.

George Graham

TRANSACTION SPEED

The quick route into fast foods

CUSTOMERS AT Arby Inc's roast beef fast food shops in Phoenix need not dig into their pockets to scrape together the change to pay their bills. In an experiment conducted with Visa International, Arby's will take credit cards for purchases up to $25 without requiring a signature of the cardholder. Receipts will come from the cash register rather than the credit slip.

For the food chain, credit cards speed the transaction and reduce the handling of cash. For Visa, the test opens the possibility of tapping into the $55bn fast food industry, which has thus far proved out of bounds to credit cards. Other high volumes low-spending fields including cinemas, toll roads, carparks and sports grounds might allow the Visa people to tap into purchases of $150bn a year.

The Arby's test is meant to gauge how fraud-resistance the system can be without the usual safeguards that require, besides the signature, a phone call of authorisation that checks whether the card is stolen. Arby's has installed Visa's new system for catching "hot cards" which uses a computer terminal behind the counter to receive the daily update of stolen cards, sent by scrambled transmission to prevent tampering.

Limiting purchases to $25 will also curb potential losses to the banks, which issue Visa cards and worry most about stolen cards. The remaining question is whether customers will use them. In an initial experiment last year in Cleveland, few did, but verification was by the old, slow method.

The credit card companies are pursuing every bit of incremental business they can get, whether the pay-off seems imminent or far down the road. Both Visa and MasterCard are claiming they have initiated credit cards in the Soviet Union. MasterCard issued a press release about the card it

Visa and MasterCard are banding together in the effort to find some way to expand an industry which has been so successful that it seems to have saturated the market

provided the chairman of Vnesjeconombank, Yu.S.Mosovsky, saying it was a first. But Visa contended that it had already won the competition with a card issued through Sberegatelnybank. MasterCard disparaged the Visa claim because it had not passed muster with Intourist.

In one area, Visa and MasterCard are co-operating. Together they are developing a nationwide system of debit cards under the name, Entree. Attempted unsuccessfully a decade ago, debit cards take the money out of a customer's account the same day. They can therefore never compete with credit cards because they lack the month "float" to repay bills. Now they are being positioned as an alternative to cheques.

With Entree, customers can tap into their accounts from anywhere in the country. What might prove a minor convenience to customers would provide enormous savings for banks, which spend an average 80 cents to process a cheque. (In the US, paid cheques are still returned to the customer.) Debit cards would immediately cut the cost in half and, over a period, could become as cheap as 5 cents a transaction.

Visa and MasterCard are banding together in the effort to find some way to expand an industry that has been so successful it seems to have saturated the market. More than 80m Americans carry 205m cards. Radio advertising encourages people without a solid credit history to apply for them through finance companies. They have become necessary to rent cars and guarantee payments.

Despite the average 2.5 per cent a merchant pays for each transaction, it is a form of quick, riskless bad-debt insurance. Those who pay their bills on time pay a modest $20 or so a year for the card, subsidised by those who borrow at high rates, which average 18 per cent.

Credit cards may not take in the most money for large banks, but they do provide twice the profitability of the other sectors. In 1987, when American Express, which issues its own credit card to 25m Americans, had a drop in net income of 57 per cent to $583m on revenues of $17.8bn (largely because of a $625m loss in the banking unit), the Travel-related Services division chalked up revenues of $6bn a net income of $655m, up 15 per cent.

In order to keep growing, credit card issuers have to poach other banks' customers. "The days of easy growth are behind us", noted Joel Friedman, a partner in the accounting firm of Arthur Andersen. "The banks really have to fight and scratch for additional growth."

With 15m customers already, Citicorp wants to add 2m-3m every year, in part to make up for defections to low-cost cards of other banks. It is stretching its scope to lure students and old age pensioners to take cards a process that eventually leads to worse credit risks getting into the system.

But banks are reluctant simply to cut off bad debtors and lose customers. Instead, they boost fees, adding late charges to high interest rates. Some banks that offer cards with no annual fee have also quietly cut off the float period so the interest is due from the date of purchase.

Others are competing by providing more services on their cards. Bank of New York got almost 1m new customers by offering low-cost cards to members of AFL-CIO unions on which no payments are due during strikes. Other types of the so-called affinity cards give airline bonus miles on frequent flyer plans or a small percentage of each transaction to charities like the Sierra Club or a university alumni organisation.

American Express is boosting use of its card for merchandise by doubling the warranties offered by manufacturers for up to an extra year. The company has also begun the Optima card that, unlike the standard American Express card, extends credit. New optical scanning equipment is allowing American Express to continue to return charge slips to the customer, known as "country club billing", and at the same time build a huge database on customers' purchases.

Downplaying the threat to privacy, company executives concentrate offering advertising on return slips pinpointed to individuals by location and buying habits. The cashless society will come, perhaps but accompanied by high interest rates and relentless promotion.

Frank Lipsius

The free-spending young in Japan have responded to encouragements to fill their wallets with plastic

Exploding the myth of savers not spenders

IT IS one of the pervasive myths of Japan that the Japanese are savers not spenders, so credit cards have not taken hold.

Certainly, it looks that way. Last year, there were only 110.4m credit cards in circulation, according to the Japan Credit Industry Association. That is less than one per head of population, well below the average for the credit-happy British and Americans and on a par with the more frugal West Germans.

But as with many things in Japan, the picture is changing. The number of credit cards in circulation has been increasing during the 1980s by more than 10 per cent a year, though the pace of growth is now easing up.

Younger Japanese are more free-spending than their parents and have responded to encouragements to stuff their wallets with plastic. They have not inherited the older generations' aversion to not paying cash because buying on credit meant going into dishonourable debt. This has helped sales paid for with credit cards rise to Y5.7trillion(million million), or one third of all credit sales in Japan, against one quarter 10 years ago. That proportion should continue to rise because the competition to get Japanese to hold more cards is fierce.

Three main groups of card issuers are fighting it out. One is the commercial banks. They see credit cards as a spearhead for their push into consumer lending now they are losing their traditional industrial clients to the securities houses. An estimated two-thirds of holders of the 1.6m cards issued through Fuji Bank, one of the most aggressive in the business, have been signed up in the past year and a half.

The commercial banks account for about 30 per cent of the cards in issue and 38 per cent of credit card sales. They mostly issue cards linked to the Visa and Mastercard networks. JCB, which is affiliated to Sanwa Bank, is the only domestic Japanese card company to have tried to go international.

A second group of card issuers is the big retailers. Their credit businesses are an ever-more important catalyst for their own growth in sales. They account for 25 per cent of the cards issued and 27 per cent of sales. Originally, they issued cards that could be used only in their own stores. Now they are expanding the number of outlets where the cards are accepted. This year, two of Japan's biggest retailers, Seibu Saison and Daiei, become the first non-banks in Japan to join the Visa and Mastercard networks.

The third group of card issuers is the oldest, the shinpan. These are the credit companies that individuals in Japan have traditionally turned to for instalment consumer credit and housing loans that until recently were not readily available from the banks. The biggest of their number, Nippon Shinpan, claims to have invented the first credit cards in Japan, which were actually paper coupons. Shinpan account for 36 per cent of credit cards issued but only 20 per cent of credit card sales.

The shinpan and the stores have a big advantage over the banks. Their card holders can clear their accounts in instalments. Those of the banks have to clear their accounts in full at the end of every month. This rule is one reason why the bad debt rate on credit cards in Japan, at around Y100 a card, is one twelfth the level in America; though it is rising as the number of cards in circulation increases.

But it is also an anachronism. A purchase made using a Seibu Saison Visa card in a Seibu store can be paid off in instalments because the card is being used as a store card. A similar purchase made outside the store cannot because the card is being used as a bank charge card. The reason for the discriminatory rule is that, for historical reasons, it is the Ministry of International Trade and Industry, not the Ministry of Finance, that regulates consumer credit in Japan. The banks accept that there is little chance of a change of rules because MITI is unlikely to strip its client industries' advantages. Instead, the banks stress the large number of outlets for their cards in Japan — 700,000 — and the international networks behind them.

They are also concentrating on niche marketing. The Sumitomo bank group launched a Debut Visa card aimed at students, which has less demanding qualifications than the standard Classic Visa card. At the age of 25, male Debut card holders are switched to a Classic card, and female ones to an Amitie Visa card, which brings discounts at such places as beanty ahops. However, Visa International by-passed its bank-based Japanese card-issuing affiliate, Visa Japan, to sign direct deals with the Seibu and Daiei retail groups and with Nippon Shinpan in its anxiety to reach a wider market.

The MasterCard group is following suit, bypassing its local bank issuing group, Union Credit. The next phase in the fight for a place in the Japanese consumers' wallet will be waged with technology. At present the three big groups of card issuers are slugging it out with the conventional credit card — the rectangle of plastic with a magnetic stripe on the back that can be read by an automated teller machine. This is the so-called third-generation of credit cards.

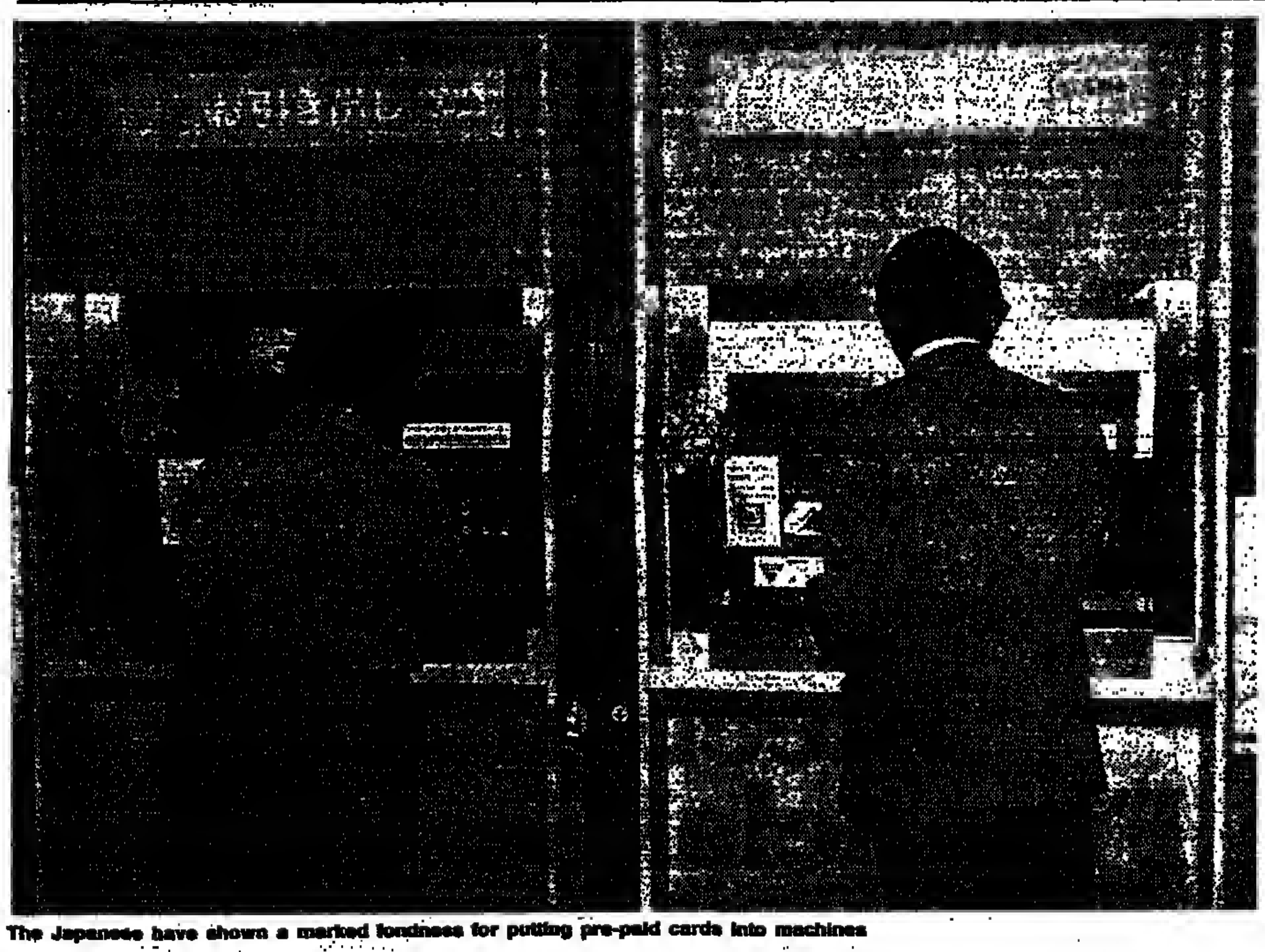
But Japan is already experimenting with fifth generation credit cards, dubbed "Supersmart cards", which have embedded integrated circuits and allow card holders to make all sorts of transactions, from booking airline tickets and trading shares to checking bank records and transferring funds. The most advanced of these IC cards went on trial at a Tokyo department store this summer.

This is the Supersmart Card made by Toshiba, the Japanese electronics group for Visa International, which chose Japan for the first test marketing ahead of North America and Europe. The two companies have already spent some $10m on the project. It represents a big leap in technology from fourth generation cards, which have still to take hold. These mere "smart cards" have microchips that let them double up as credit cards, electronic IDs and pre-paid charge cards for vending machines and card telephones.

It is cost that is holding back the widespread use of smart cards. Such a card costs Y10,000 to make against Y100 for one with a magnetic stripe on the back. And Y3,000 is the lowest cost that anyone in the industry can imagine for a smart card. Terminals to read them cost Y300,000 each, twice as mnch as one for reading a magnetic-stripe card.

James Andrews

It's yours today if you buy it on a card. The young in Japan do not have their parents' aversion to dishonourable debt



The Japanese have shown a marked fondness for putting pre-paid cards into machines

PRE-CHARGED CARDS

Magnetic money attracts

IF THE Japanese have taken to plastic money with enthusiasm, they have taken to magnetic money with a vengeance. The big boom in Japan has not been in credit cards, but in pre-charged cards.

The first of these were issued by Nippon Telegraph & Telephone in 1982 for its telephones. NTT was not the first telephone company in the world to turn to telephone cards as a way of getting money up-front, luring people into spending longer gabbing on the 'phone and eliminating the need for employees — and the temptation to thieves — to empty coin boxes.

But NTT was first to turn the pre-paid telephone card into an industry. It has issued some 500 different sorts at denominations ranging from Y500 to Y5,000 since the first ones were issued in December 1982. But the real boom has not been in the cards NTT designs for itself but in those made to the designs of its customers.

NTT launched its customised-card service in 1985 and has made more than 50,000 different types since. Television stars give them away as publicity; companies as corporate gifts; happy couples at weddings. Political groups sell them to raise funds. Telephone cards sell at a premium as souvenirs or as collectors items. There are an estimated 200,000 serious collectors in Japan and a thriving second-hand market. Prices of Y270,000 have been known for rare cards.

The pre-paid telephone card soon spawned hosts of imitators. Japan Railways issued its Orange Card, which can be used in the ticket dispensing machines at its stations all over Japan. Although only 10 per cent of Orange Cards are bought as gifts (compared to 40 per cent for NTT's telephone cards), the railway is going into the customised-card business, too.

One of the Tokyo subway systems has a pre-paid card called Metro Card, sales of which are forecast to top 1m in its first year. A bus company in Nagasaki started using pre-paid cards last November. Japan Highways, an official agency which runs the country's freeways, issues cards that can be used for paying tolls. The idea is also spreading to other businesses where it is a nuisance for customers to carry lots of small change or to get tokens.

Idemitsu Kosan issues pre-paid cards for its car washes at filling stations. Sega Enterprises, a video-games firm, has installed at several of its games centres machines that accept pre-paid cards. It has found that turnover has gone up at these test sites.

A ski centre in Kanazawa has a pre-paid card that lets its customers pay for food, drinks, equipment hire and ski-lifts throughout the resort.

The next developments in pre-paid cards go in two directions. One is to increase the services a company can offer through its card. The other is cards that can be used to buy a variety of goods from different vendors.

Both developments involve embedding microchip in cards. The smart pre-paid card is the counterpart of the smart credit card.

NTT's plans are to develop telephone cards that will let the holder carry their own telephone number about with them. By inserting a smart telephone card in a cardphone, the card holders incoming calls can be diverted to that telephone. Outgoing calls will be debited against the card. Several card holders will be able to log onto the same handset.

NTT has unveiled a prototype of its smart telephone card at a trade show. Meanwhile, a test of the smart prepaid card for multiple vendor's goods is already underway.

Nippon Card System, a joint venture between the leading commercial banks, NTT and Japan Tobacco, has issued, in conjunction with Coca-Cola Japan, the U-Card. This is being used experimentally with Coke-vending machines. The plan is to extend the card's use to the vending machines of other soft-drinks manufacturers, and eventually, to fast-food joints.

These sort of pre-paid cards pose a regulatory problem for the authorities. Pre-paid cards with microchips that can be used to buy different goods from different vendors are quasi-money. The companies issuing them are acting like banks in that they take a deposit and act as a clearing system for payments.

At the moment, pre-paid cards are treated legally as gift coupons, like the ones that can be bought from stores. They are regulated under the appropriate law (passed in 1932 long before magnetic money was ever thought of). Like gift coupons, they are subject to asset-backing requirements and stamp duty (except when the cards are used for services, when they are tax exempt).

However, the legal position of the new generation of pre-paid cards is ambiguous. Once their use is restricted to one industry or one region they will be outside the scope of banking laws. But it seems inevitable that their use will not remain so constricted.

The financial authorities feel that if these new cards do become effectively a substitute for coins and banknotes, then they should be regulated under the banking laws. It is far from clear however, that such laws can be interpreted and applied in a suitable way. The worry is that widespread unregulated use of the cards would complicate monetary policy and perhaps make it impossible to control the money supply.

James Andrews

Mortgages, pizzas and orchids, almost everything is available to cardholders

Pulling down barriers to spending

ORCHIDS, PIZZAS, mortgages, you can use a plastic card to obtain them all. From the very beginning of the plastic cards industry, card companies have been determinedly rolling back the frontiers of card use.

The geographical frontier has fallan relatively swiftly. Albania is now the only country in Europe where you cannot use a plastic card. Outer Mongolia is negotiating with Visa, while in China, your American Express card will do nicely at most of the places a Western traveller is likely to want to go.

"Businessmen in less developed countries like credit cards," says one card issuer. "For a start they realise that foreign tourists spend more readily if they can use cards. And beyond that they like the aura of modernity and reliability which goes with the card sign on their door. For us and for them, the problem is chiefly one of establishing communications and a working relationship in a place which may be badly served by posts, banks, and telephones."

The major card issuers are also trying to boost the number of occasions in which a card can be used in the UK and European markets. Only a few retailers now refuse to accept the cards of the major payment organisations. The search for new uses tends to be for ways of paying for services.

"The number of ways in which you can use our cards is growing all the time," says Mr Steve Goldstein of American Express. "There is a growing range of specialised car-related uses for example, going well beyond just buying petrol. You can pay for medical care with your card, or perhaps your lawyer's fees, or your dentist. And plastic cards can be used much more than in the past for purchases connected with the arts and the theatre."

Four years ago, Barclaycard installed its first automatic ticket vending machines at Euston Station in London. It has now extended the service to 12 stations, to allow card holders to beat the queues outside the railway ticket offices.

However its rivals seem to have been slow to follow suit. The problem for many Barclaycard holders is that they do not know their PIN number and so cannot make use of the ticket machines.

Some of the store cards have developed some very specialist uses. THF for example has no fewer than 17 varieties of its 'Gold Card' to serve the needs of its customers. The Ford motor company offers its salesman a personal account card pegged to the number of sales they clock up which gives them incentive credits to be used for shopping at Burtons Group.

Other cards educate the young. Visa's electron card, for example is intended to teach younger cardholders how to use their cards, the principal check being that every transaction has to be authorised at the point of sale.

Another innovation, copied from the US and recently arrived in Britain, is the affinity card. This bears a design linking it with a club or charity for which every transaction by the card holder earns a credit.

In the UK TSB has two affinity cards, and Girobank recently launched an Oxfam affinity card, which is said to be proving extremely popular.

The affinity card has a double appeal. It gives the user the sense of occupying the moral high ground every time he uses his card. And he publicly proclaims his link with an organisation which he cherishes. There seems to be an element of heraldry emerging in the credit card world.

Specialised card designs may be eschewed by American Express, which believes in retaining the simplicity and uniformity of its traditional design, but other card issuers find it worthwhile.

"Our Oxfam Affinity Visa card is bringing us some very distinguished customers whom we have not previously dealt with," says a Girobank official at its Visa-processing operation in Bootle.

Personalizing cards, by putting a photograph of the cardholder on them, would obviously do wonders to prevent fraud by providing a secure identification, but their general use is still thought to be a long way off.

PMI Data Digicard of Bracknell, for example, offer a computerised card production system which inclndes a photograph of the bolder. But its application, as yet, seem to be less for payments cards than for membership and identity cards.

A long term prospect, says Mr Scott Thomson of Midland Bank, is home shopping and tele-shopping with plastic cards. For some years both Access and Visa have been sending their customers small brochures of special purchases which can be made with their cards.

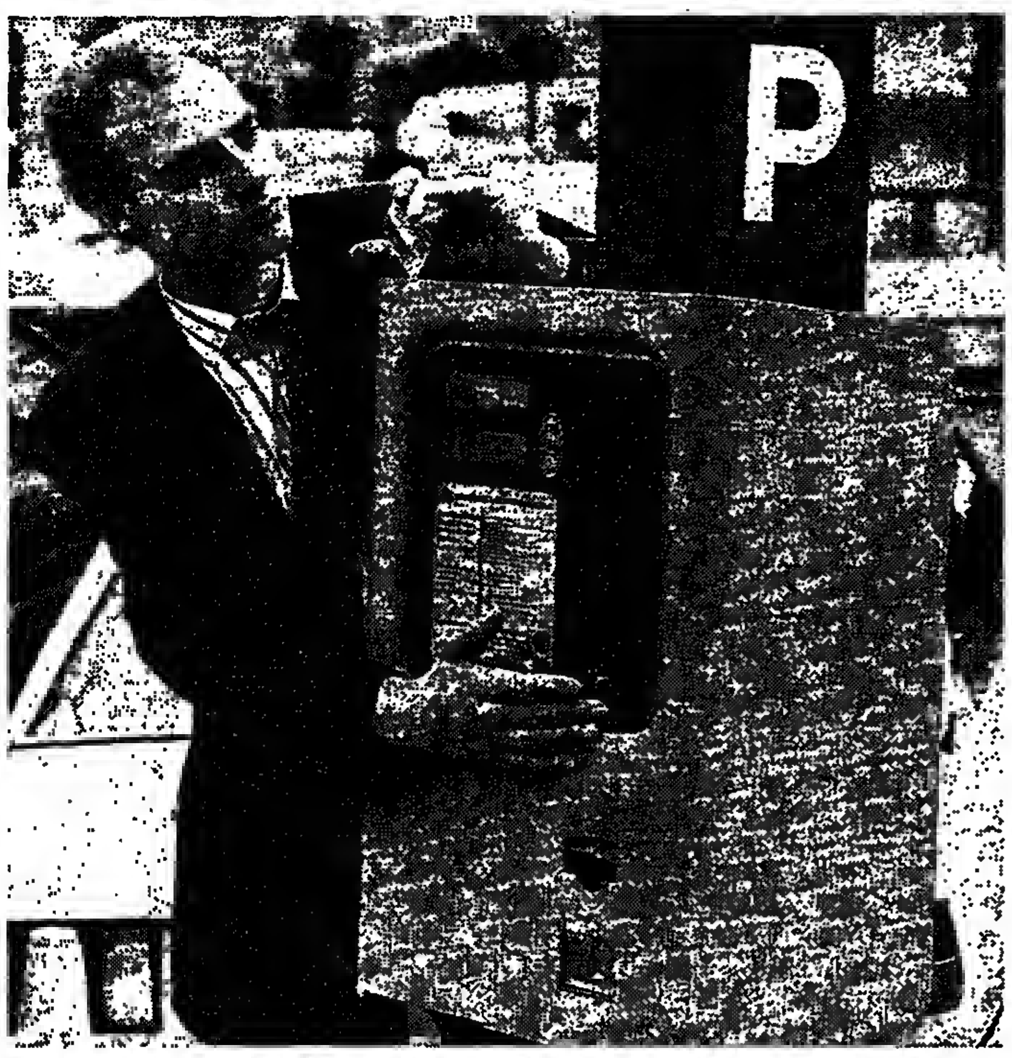
In the age of EFTPOS, it may be possible to phone up a large store and order a long list of goods for delivery at home. Most of the research departments of the banks are examining ways of developing plastic cards home shopping and believe that some limited services could be launched in the fairly near future.

Delivery remains one obvious problem, just as it is for home banking, where it is already possible to give the customer every service but the most basic one, the provision of cash. Some believe that this will some day be overcome with the telephonic charging up of smart cards in place of traditional cash.

Mr Thomson meanwhile is thinking of more humdrum but convenient neighbourhood services, ordering Pizzas by telephone using Switch cards for instance.

He disputes claims by other card issuers that the electronic cards will not be useable for telephone purchases. He also believes that electronic terminals will quickly spread from the retailers and the large shops to restaurants and other service outlets which at present use credit card vouchers.

Whether all of these will be willing to accept the expense of installing on-line electronic terminals is not yet so clear. Small businesses which find paper vouchers cheap and convenient to handle may be deterred by the cost of installing and operating an on-line computer link.



Even the unloved parking meter has succumbed to plastic in central London

David Barchard

THE NEXT GENERATION

University challenge for GEC smart card

ONE CARD that is soon to be put through its paces is the GEC smart card that has been developed in Chelmsford, Essex. It is to go on trial at Loughborough University, where Midland Bank are offering the card, which is the size of a normal credit card, to all its university customers.

The card issued will have three functions. It can be charged with money and then used for small purchases in the bars and shops on campus. The price of each purchase is deducted from the card, which can then be recharged at a bank terminal. For larger transactions, money can be transferred directly from the purchasers account to the retailers account to pay for the goods.

A personal identification number is used as a security measure on the card and full details of all transactions made are stored in the card's memory and can be viewed at a terminal. The third use of the card is for allowing access to various information services.

In Pontypridd, south Wales, a different trial is to take place. Patients at the local doctor's surgery will be issued with cards which store clinical data about the cardholder, such as their blood group, any allergies they suffer from and past hospital treatment they have received. To view or change any of this information, both the patient's card and a card held by the doctor have to be placed on a reader connected to a computer.

If this trial is successful, smart cards could dramatically change the existing form of recording medical records. In the event of an emergency, ambulance crews and hospital staff could call up the data stored in a patient's card without any delay.

These trials are the culmination of five years research and development, in which time, GEC has produced a unique contactless intelligent card. Mr John McCrindle, General Manager of GEC Card Technology, explains: "The first cards to be developed were contact cards, which means they have to be placed into a reader unit, for example, a slot like in the cash-point machines, before it can be read. Our card is contactless in that it has simply to be placed on, or near, a flat-surfaced unit to operate. This unit is known as a coupler. It accepts data from the card as well as sending information to the card."

It is this advantage, GEC believes, that will give its card a lead in the increasingly competitive world of card technology. It does not require a slot in a street terminal which is vulnerable to vandals and there are no contacts which can be worn or damaged. The coupler can operate over substantial gaps, enabling it to be fixed under a desk. The card can then receive power and data from the coupler simply by being placed, in any position, on the desk above the coupler. Another advantage of the system is that, because there are no moving parts in the unit, it requires little maintenance and is cheaper to produce than traditional contact systems.

It could be the electronic Filofax

Because of the contactless nature of the GEC smart card, it can be packaged in formats other than a card shape. It could be worn on the wrist for carrying medical data for example, or around the neck as an identification tag.

But as with any newly-developed technology, market standards are critically important. If most other cards in the market are contact cards, is GEC ostracising itself in a similar way to which betamax video manufacturers did in the early days of video tape recorders?

Mr McCrindle thinks not. "I see contactless cards as the second generation of smart cards and it is often the second wave of development that takes the market," he says. And, when considering the potential of the contactless card he is probably right, especially as more and more companies are looking to follow GEC's lead by developing contactless cards.

Whatever the outcome it is clear that, for a time, smart cards will have to be capable of operating in existing magnetic strip card equipment such as cashpoint card machines. GEC recognises this fact. "We produce a smart card with a magnetic strip which can be used in existing installed equipment. It can operate in dual rola until the migration to smart card technology is completed," Mr McCrindle says.

The security of the card is of paramount importance, particularly when it holds sensitive medical and financial information. Perhaps it is this issue that will be the most vital when marketing the card to the public. Mr McCrindle firmly believes that the smart card is the most secure piece of computing on the market. The holder can be identified in a number of ways including the traditional PIN number, by finger prints or, by signature.

Signature verification units are available whereby the shape of the letters and the speed at which they are written are compared to a reference signature that is stored on the card. This makes it impossible for anyone but the owner to use the card. These methods are all possible because the card is intelligent rather than passive and has a large memory capacity.

GEC sees the financial market as the largest long-term user of their smart card and the banks are becoming increasingly interested in their potential. Mr McCrindle foresees the card being used first in niche areas such as corporate cash management before it is gradually introduced into all areas of retail banking.

But the potential of the smart card does not end there. It could be the ultimate electronic Filofax with applications as diverse as acting as a season ticket, a passport and a medical record — all on one card. In time, more and more applications should emerge as research increases the memory capacity of the card. And then, the growth of smart cards will be limited only by imagination and the public acceptability of its particular applications.

Sarah Thomas

SECTION IV

FINANCIAL TIMES SURVEY

STATE OF São Paulo

CONTENTS

This wealthy agricultural and industrial state of Brazil is having to cope with the threat of hyperinflation as well as public and private sector inefficiencies. The immediate future may look bleak but, argues **Ivo Dawnay**, *Paulistas* know how to survive

An adaptable powerhouse

SAO PAULO is a phenomenon: a city-state within a state, with a highly-diversified economy to rival any in the southern hemisphere.

If separated from Brazil, São Paulo would be the second largest and wealthiest nation of South America.

A ragged rhomboid straddling the *Tropic of Capricorn*, the state's 32m population – known as *Paulistas* – inhabits a fertile territory, roughly the size of the UK, which forms the farming and industrial powerhouse of Brazil.

São Paulo, while representing under 3 per cent of the Brazilian land mass, now generates something over 40 per cent of the nation's $320bn gross domestic product; more than half of its industrial goods; and 38 per cent of its exports. Its GDP is substantially greater than that of Argentina and more than twice that of South Africa.

The state's complex ethnic mix – European, African, Arabic and Asian – is possibly the most diverse and miscegenated of anywhere in the world. Within Brazil it is also the richest, though an average per capita income of $4,000 belies a fiercely uneven distribution.

Some of São Paulo city's 14m residents have 12-car garages. More than a million, however, live in the cardboard and corrugated-iron grime of *favella* shanty towns.

In agriculture, the state's even climate, gentle topography and efficient transport systems have created a world beater.

Industrially, too, São Paulo earns its reputation as the workshop of the continent. From the implantation of foreign *carmakers* in the late 1950s and early 1960s, it has spun off an engineering capability that is now producing home-grown technology of world class.

But taking the dramatic growth of São Paulo in isolation from the country of which it is a part is to distort the picture. For behind the state's remarkable achievements lie equally dramatic problems.

From the Second World War until the debt crisis struck in 1982, Brazil enjoyed relentlessly rising growth at an average of 7 per cent a year. The country's large internal market, fortified by the protectionist import-substitution strategy propagated by the late-Raoul Prebisch, provided the motor for growth – fired by President Joscelino Kubitschek's successful seduction of foreign multinationals' investment.

Agricultural wealth and large population turned São Paulo into a magnet for the new industries. But when the combined oil and foreign debt crises hit, the state's dynamic, entrepreneurial tradition was not enough to ward off recession.

In fact, the speed with which Brazilian industry responded to the downturn with an aggressive export drive was impressive. By 1984, output was again beginning to rise. But inflationary pressures and the growing burden of indebted federal and state governments were also cruelly exposed.

When the price freeze imposed by 1986's heterodox shock – the anti-inflationary Cruzado plan – also collapsed, so too did the recovery. Since then Brazil has launched a new export drive, which, with a biggest-ever harvest, is set to produce a record trade surplus of up to $19bn this year.

But that is virtually the only good economic news. Inflation is currently running at a staggering rate of over 20 per cent a month. Real purchasing power, and, hence, retail sales are sharply down; industry is destocking; and unemployment rising.

That is the worrying short-term outlook. But behind it lies a more profound concern over the legacy that decades of trade protection have done for Brazil, and São Paulo's industrial competitiveness.

Many private sector industries desperately need new investment to replace outdated technology. Yet an increasingly inefficient, debt-laden government and state industry machine – responsible for some 60 per cent of total GDP – is soaking up scarce investment resources.

Bad habits are commonplace, too, in the private sector. São Paulo's industrial base is still largely dominated by family-owned companies which often prefer to share as opposed to compete for markets. Price controls have meant that profitability is achieved in negotiations with government, not through efficiency.

Furthermore, market institutions like the stock exchange remain dominated by non-voting stocks, with little space for mergers and acquisitions based on a genuine evaluation of management skills. Last but not least, Brazil's moratorium of February last year has exacerbated disinvestment and profit remittances by foreign companies. No new money loans can be expected from abroad for the foreseeable future, though some $1.8bn may find its way to industry this year by means of debt conversion schemes.

Savings now comprise just 16 per cent of GDP, down from 25 per cent during the so-called miracle years. And though corporate liquidity is high, uncertainty bred by inflation is keeping cash tied up in the money markets, or worse still offshore.

At root, the crisis is political, centring on mistrust of the government's ability to control its demands on the economy and carry out promised deregulation. Despite the commitment of Finance Minister Mailson da Nobrega to reining in the public sector deficit, currently targeted at 4 per cent, spending minister colleagues continue to drive up the internal debt – now all but rivalling Brazil's $120bn foreign liabilities.

As the industrial, business and banking centre, São Paulo finds itself at the centre of the stagflating economy, with negative industrial growth widely predicted this year. As the intellectual hub as well, its more astute academics and businessmen are equally aware that the days of free-spending government are over.

But despite pressure from all sides, conservative, some say archaic, Brazil can still command a majority in Congress over the modernists. This fact was established beyond doubt in the recently-completed drafting of the country's new constitution.

Progressive social and labour clauses, from paternity leave to the rights of citizens to see their credit agency files, swept through unchallenged. But when it came to modernising the economy, the politicians retreated.

A cross-party nationalist coalition passed articles that will reduce foreign mining companies' participations in local operations to less than 50 per cent. Furthermore, despite objections from Petrobras the state-owned oil company, oil risk contracting – a capital intensive task that few will take up – was also limited to Brazilians.

Worse still, allegedly under pressure from certain sectors of industry, some from São Paulo, the possibility of further protectionist moves has opened up the creation of the concept of a Brazilian company – a move that could exclude foreigners' from acting in new sectors.

The Federation of Industries of the State of São Paulo (Fiesp) – the high priests of the state's business caste – have been consistent in their opposition to these trends. But though Fiesp's public objections are well reported, many believe that not all of its members are sufficiently confident to welcome an era of stiffer competition and privatisation.

The government of President Jose Sarney has at least made some moves to fire entrepreneurial spirits with an Industrial Policy aimed at reducing tariffs and discriminatory regulations.

However, as Professor Celso Pastore, an ex-Central Bank president puts it, "while some industrialists say they are happy in principle, they change their stance when the practice hits their own businesses".

At a state level, chronic indebtedness and falling sales tax revenues are reducing resources despite ever-increasing demand. Elections, both municipal this year and presidential next, promise new spending pressures.

But despite this fearsome combination of problems, there is still a considerable amount of optimism in São Paulo. Many argue that driving to the brink and looking over is a necessary process in the transition to democracy.

New powers for the Congress will also heighten responsibility and an awareness of the issues now faced.

Meanwhile, the black economy is thriving as never before. Away from the greatest population centres, small farming towns are mushrooming on the back of the harvest and attracting population growth and industry.

Furthermore, a new political class, far from the pork-barrel world of Brasilia, is building a lay opposition committed to the until-now heretical doctrine of liberation from the state.

A similarly-minded trades union grouping is spontaneously striking deals with managements in an industrial relations environment liberated from backdoor deal-making of the past. The media and the arts are proving powerful critics of the more entrenched and intransigent members of the political-industrial establishment.

In short, the heady, unpredictable oxygen of democracy is in the air.

Read as a balance sheet, São Paulo's immediate future may look bleak. But its population, while given to manic extremes of elation and depression, is highly skilled, hardworking and addicted to enterprise, and its industry proven for rapid adaptability.

A population addicted to enterprise — hardworking and highly-skilled

São Paulo has little power over national economic policies

Working on a razor's edge

THE BATTLE to prevent the Brazilian economy teetering over the brink into catastrophic hyperinflation is being fought in the few hundred metres between Mr Mailson da Nobrega's finance ministry and President Jose Sarney's presidential palace.

Despite its immense economic power, São Paulo, like the other 22 states in the union, can only stand and watch helpless on the sidelines in what is essentially a political struggle.

While differences persist between economists and commentators over foreign debt policy, there is absolute unanimity that deep cuts in public sector expenditure, together with tough *fiscal* measures, must be the principal weapons in fighting inflation which last month hit 24 per cent.

The irony is that, though retail sales and real wages are sharply down, large swathes of Brazilian business, particularly in São Paulo, are at record levels of liquidity and ready to invest, given the right signals from Brasilia.

An export boom – up 30 per cent and promising a record surplus of over $16bn – underlines that the country's business outlook overseas is far better than at its last recession in 1981. The dollar and interest rates are, for the time being at least, lower and the terms of trade much better with farm products as much as 70 per cent higher and metals more than double.

In addition, almost inexplicably, official figures show the number in work, in São Paulo at least, are up by 7 per cent on last year, though those seeking it have also increased.

Despite these factors, however, billions of Cruzados desperately needed for investment lie fallow in the financial markets, waiting to see how the wind blows. A mere whiff of an attempt by the government to hold interest rates down artificially against inflation, rumours of an internal moratorium or another "shock" plan, could lead, economists fear, to a new surge in prices and serious capital flight.

Currently, government forecasts claim year-end growth in gross domestic product should be just positive with industry recording a small decline. Officials also say that a first half public sector deficit of under 2 per cent of GDP means its target of 4 per cent at the year end, negotiated with the International Monetary Fund, can be met.

Advertising jobs: there has been an increase in the official employment figures

It will be touch and go. But the more significant factor still lies in the outcome of 1989 budget negotiations, now underway in Brasilia.

Mr da Nobrega and his planning minister colleague, Mr Joao Batista de Abreu, have now won agreement for a Cz900m cut in spending, somewhat less than the originally planned Cz1.3bn, which equalled roughly 10 per cent of its $40bn 1988 budget. This, together with higher tax revenues, should, in theory, reduce the deficit further to 2 per cent of GDP next year.

But, as Mr da Nobrega said recently: "We are working on the razor's edge".

Many economists from Prof Edmar Bacha on the centre-left, to Prof Celso Pastore on the right, believe that the freezing of government investment budgets and the axing of some 2,000 programmes is not enough. They also reject Mr da Nobrega's hypothesis that monthly inflation of 20 per cent can be sustained over the medium term without unacceptable risks of hyperinflation.

But while Prof Bacha suggests a broader trawl for income tax receipts and a renegotiation on foreign debt, Prof Pastore, a former Central Bank president, argues for yet deeper cuts.

"If the government does not get its budget into surplus, the Central Bank must either monetise or sell debt, thereby raising interest rates," Prof Pastore says. "I don't think aggregate investment will grow without government savings."

What is worrying the businessmen of São Paulo is the widely held belief that – Mr da Nobrega and Mr Batista apart – the bulk of the government is still unaware of the immediacy and scale of the crisis.

The so-called "moratorium mentality" that has allowed a number of major state-owned companies merely to renege on their debts to each other or their taxes is a symptom of this. Its consequence has been the alarming growth in the federal government's internal debt, now, at about $100bn approaching its foreign liabilities.

Mr da Nobrega has won significant fights in his efforts to impose discipline on his fellow ministers, even succeeding in forcing the resignation of the armed forces chief of staff for criticising his tough pay restraint policy.

But this was undone last month when a number of ministers successfully twisted President Sarney's arm to allow pay rises or cheap loans to their workers.

The budget now passes to the Congress for debate, where changes (though not increases) can be made. Almost incredibly, the Congress has been so heavily concentrated on writing a new constitution that it has not initiated a single debate on the economy since it took office early 1987.

With municipal elections due in November and presidential elections a year later, Brazil's pork-barrel politics is certain to attempt to undermine the austerity measures.

Many of Mr da Nobrega's supporters are astonished and delighted by the amount of success he has already achieved, given this endemic opposition amongst the politicians. But demographic pressures mean that Brazil needs growth of about 6 per cent a year to absorb new labour and a savings rate up from its current 16 per cent of GDP to over 20 per cent to generate investment funds.

There is no reason to doubt that this natural dynamism is ready to be tapped again

In the short term, the Brazilian economy may just be able to tread water. But if there is to be a rapid return to strong growth, Brasilia must act much more drastically and with much greater conviction for domestic and, equally crucially, foreign investors to be ready to commit themselves heavily once again.

Ivo Dawnay

POLITICS

Personalities before ideas

THERE ARE two parallel political battles underway in São Paulo – *one the jostling of* personalities positioning themselves for the presidency, the other an almost unreported though crucial debate on the role of government in Brazil's turbulent economy.

Unfortunately, like all parallel lines, the two strands have as yet failed to overlap.

At the formal level, the state is preparing for November municipal elections that will serve as a gauge of the relative popularity, or otherwise, of the nationally dominant Democratic *Movement Party (PMDB)* and the efficiency of its machine.

Lurking behind these polls, however, is next year's battle *for the presidency itself* – the first direct elections for the country's top job since 1960.

The elections for the mayorship of São Paulo – a traditional launching pad for the presidency – looks set to be won by Mr Paulo Maluf, a millionaire businessman and ex-state governor of Lebanese-origin who only narrowly lost the last electoral college-based elections for the Presidency.

At the national level, a 72-year-old Paulista, Mr Ulysses Guimaraes looks the most likely PMDB presidential candidate which, though depleted by defections, still dominates Congress and commands the only truly nationwide political organisation.

As president of the party, the house of deputies and the Constitution-drafting assembly, Mr Guimaraes – an alliance builder extraordinary but unknown quantity on Brazil's pressing economic issues – should head-off any challenge from state governor Mr Orestes Quercia, if he choses to make one.

Mr Guimaraes's mild "father-of-the-nation" image and his impeccable democratic credentials earned during the dictatorship are spoiled somewhat by his age and ailing health. But there are few serious rivals.

Other Paulista candidates may include Senator Mario Covas, uncrowned leader of a centre-left PMDB breakaway group, the Social Democrats (PSDB), the outgoing mayor, Mr Janio Quadros, and Mr Luis Ignacio "Lula" da Silva, the trade unionist founder of the Workers Party (PT) – one of the few havens of ideology in Brazil's personality-dominated politics.

The candidate most quoted as *"the man to beat"* is Mr Leonel Brizola, the populist left wing former governor of Rio de Janeiro and the bogey-man of the conservative middle-class and the military. But Mr Brizola may prove less formidable than his vocal supporters claim.

He has been obliged to move to São Paulo – the state will command some 16m of a total 78m votes – in a bid to create a following from near nothing. Prof Amaury de Souza of PUC, Rio's Catholic University, said last month: "Anybody who wants to win the election has got to have good São Paulo support."

It was not always so. Indeed, *though São Paulo has long had* formidable influence over the industrial, financial and economic spheres, with a virtual right to name ministers and Central Bank presidents, its citizens claim that, politically, it has been weak.

In part this is because, as the most progressive state, São Paulo became the crucible of the opposition during the military years. The generals, guardians of Brazil's strong centralist tradition, recognised this and reinforced the ceilings on populous states' electoral representation – a system that, in effect, gives disproportionate power to the highly conservative North and North East.

A lame effort to establish a constituency-based electoral system in the Constitutional Assembly was abandoned by Paulista Congressmen anxious to win backing from the North-Easterners for higher priority issues.

"With the North and North East now representing more than half of Congress it has become more and more impossible for São Paulo to bargain back the principal of proportional representation," Prof de Souza has noted.

The conclusion of the recently completed constitution has given the state just 10 more deputies seats, but even these gains will be wiped out by the creation of a number of small new states.

"Today the state of Rondonia can elect a deputy with 6,000 votes where it takes 60,000 to elect one in São Paulo," protested Liberal Party (PL) deputy and another probable presidential candidate, Mr Guilherme Afif Domingos. "It is a scandal."

But perhaps more scandalous still is the extent to which the great bulk of the political establishment has simply failed to address the all-pervading issue of the day – the management of the economy.

Rolling back federal government interventionism and creating a more competitive business environment is the second great political struggle currently underway in São Paulo – but it has been conducted largely by businessmen and trade unionists.

With the PL an honourable exception, most of Brazil's political parties have consistently criticised the government's foreign debt settlement and austere economic policy without offering any alternatives.

None of the leadings candidates for the presidency – including Mr Guimaraes and Mr Brizola – have spelled out their economic views beyond condemning recession, despite inflation running at over 20 per cent a month.

This paucity of ideas is one of the prime reasons for massive voter disillusionment with the political class as a whole, but, in part, it is explicable.

The bancruptcy of the Brazilian state logically dictates that the old spoils and favours system of government, in which the politicians distribute jobs and contracts among their supporters, is no longer sustainable. But this is difficult indeed for presidential candidates – hoping to be its beneficiaries – to accept.

In São Paulo a clamour is growing among the more competitive industrialists and businessmen for the systematic dismantlement of the state machine through privatisation and debureaucratisation.

Remarkably, it has been led, in part at least, by such unlikely bedfellows as Mr Eduardo Arvedo Rocha, the head of the stock exchange, and Mr Luis Antonio Medeiros, leader of the 300,000 strong metalworkers union whose slogan - "The state must go" - has become a rallying cry across the frontier that separates capital and labour.

This movement is still only just beginning. It has led to tentative and inconclusive talks between some union leaders and captains of industry on pay and job security outside the smothering embrace of government.

Furthermore, many more conservative members of the employers' organisation, Fiesp, while paying lip service to the viewpoint, are actually rather more comfortable with their old close links with a regulatory government.

But São Paulo is now indisputably the centre of a growing movement – all but divorced from conventional politics – to roll back the patriarchal system of government in favour of a more entrepreneurial and competitive private sector.

Brazil's future, many believe, is dependent on its success.

Ivo Dawnay

DEBT CONVERSION

A surge of activity

A NEW rulebook on the conversion of Brazil's massive foreign debt into equity investments has provoked a surge of activity in São Paulo's highly competitive banking sector.

Officials at the Central Bank now report that more than 40 investment banks are active in the country and daily reports of new ventures, frequently linking foreign and local interests, continue to emerge.

The pie that has inspired this feverish activity – some $24bn in matured loans with about $40bn more to come – sounds larger than it actually is. In fact, under Brazil's new debt auction system, a maximum of $1.8bn can be converted each year – half of this only for projects or companies

Continued on page 3

State costs must be met from a smaller purse

Taxation to devolve

THE ALMOST Texan-style fondness of São Paulo for relating superlatives about itself palls a little when it comes to discussing its equally spectacular problems.

For, just as the scale of the state's industrial and farm output, export sales and technical know-how are genuinely impressive, so, too, are the difficulties that come with a reputation in an impoverished country for being Eldorado.

If growth is an imperative for Brazil, given its ever expanding population, it is doubly so in São Paulo where to the quaintly-known vegetative increase (or birth rate) must be added immigration of about 240,000 a year.

During the "miracle" years in the 1960s and 1970s, administration, though difficult, could chalk up annual achievements, boosted by a growing yearly haul from the ICM — the sales tax that represents at least 65 per cent of all receipts.

But when recession hit after the government's price freezing, anti-inflationary Cruzado plan collapsed with a crash at the end of 1986, the crucial ICM revenues rapidly declined and kept on declining.

Today, São Paulo's harassed state government must meet growing demand for resources from a smaller purse. In dollar terms, the government saw receipts rise steadily after the 1982-3 recession from $6bn in 1984 to a peak of $10.4bn in the artificial boom of 1986. Since then they have fallen, first steadily, and, this year, sharply as recession bites again.

If this were not bad enough, costs of administration and the state's staggering 870,000 staff have leapt from $3.4bn to $5.7bn — near to 90 per cent of real disposable resources. Debt service, transfers to bankrupt state companies, and payments to municipal authorities have also risen substantially.

Traditionally, the escape ronte from this nightmare equation of surging demand and plummeting resources would be to borrow. But the new austerity regime imposed from Brasilia has prohibited any new loans from the BNDES, national development bank, or the CEF national savings bank.

Mr Frederico Mazzuchelli, the state's likeable young planning secretary, is the man upon whose desk this problem falls. "The common idea is that São Paulo is a rich state and that it is the North-East that needs all the help," he says.

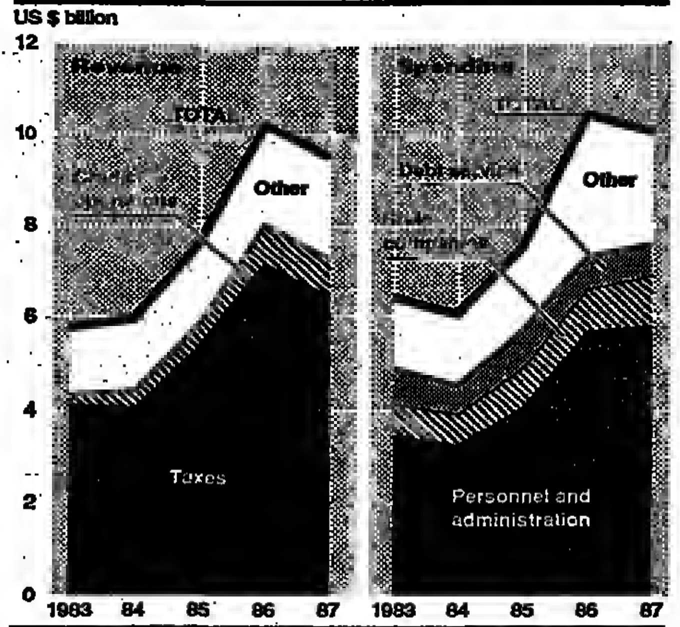
"But the fact is that for our 31m population we are desperately poor, and the North-East exports its problems to us in the form of immigration."

Nor does Mr Mazzuchelli believe that radical "conservative" solutions — privatisation and staff dismissals — can resolve the state government's predicament. Recruitment is already frozen, but the notorious "stability" law which guarantees public servants their jobs for life, means that even if they were laid off they would have to be paid.

"I am personally opposed to 'stability', as it breeds inefficiency," he says. "The problem with privatisation is that there is little interest or proposals coming out of the private sector."

Sao Paulo's budget

US $ billion



The planning secretary's first solution is for redoubled efforts by the federal government to be more efficient in its collection of taxes. A 13 per cent fall in ICM receipts this year was only contained by a massive increase by São Paulo in forcing payment.

According to Mr Mazzuchelli, Central Bank figures show that over the last 13 years federal authorities have simply failed to pick up $162bn in debts.

One major boost to the management of the state will come next year in new constitutional regulations that substantially devolve tax-raising powers and some 12 per cent of total federal revenues to state authorities.

São Paulo's ultimate authority, Governor Orestes Quercia, remains sceptical abont the real impact of this on his seven, largely social service-orientated priority areas. "The transfer is not irrelevant," he says. "But in relation to the rest of Brazil we won't get more resources."

Mr Quercia has faced widespread criticism since he took office 18 months ago. His opponents claim that he has spent massively on advertising his public works to boost his chances for the presidency. On the plus side, Mr Quercia is credited with a genuine effort to tackle the problems of homeless children and under-education — issues that seldom win votes.

On the other hand, the state government is also dedicating a snbstantial portion of its diminished resources on police patrols, prisons and road developments — ever popular with the state's security and transport-conscious middle class and those in the interior, Quercia's principal constituency.

Energy, and to some extent, water supply crises, are being dealt with largely by international institutions like the World Bank and the Inter-American Development Bank.

But the real test of the São Paulo governor — universally seen as an eventual presidential candidate, despite his denials — may come next year when the new tax-raising powers come his way.

Today, he expresses opposition both to the government's settlement on the foreign debt and its austerity budget to cut public expenditure, but will not be pressed on details.

Next year, with his tax raising powera snbstantially enhanced, Mr Quercia's own figures will have to stand up to critical perusal.

Ivo Dawnay

Continued from page 2

active in the underdeveloped Amazon or North-East.

But, running alongside this "formal" programme, is a parallel informal conversion scheme that, some estimates claim, might add a further $2bn to $3bn a year.

What has stimulated excitement in recent weeks is the now clear indication that the major money centre banks are ready to play the game.

Until recently, big creditors like Citibank and Chase Manhattan had implied that, while they were ready to broker other creditors' loans into new equity investment, dealing on their own account was ruled out for fear of "contaminating" the now all-but-mythical 100 cents in the dollar book value of their own exposure.

That has now been ended by a series of bids for discounted conversions by Manufacturers Hanover, which has used up $80m in credits to buy a $90m stake in Suzano Papel — a local bluechip paper and cellulose producer.

In just the last few weeks, Chase has annonced that it will follow suit and even the normally ultra-cautious Bank of Tokyo is believed to be perusing opportunities for "asset enhancement".

NMB, the Dutch investment bank so far responsible for more than 40 bids in 6 auctions, is extremely bullish on the market in the short to medium term, though the pickings are conseqently down.

"The market is getting more and more aggressive and we are going to have to work with very thin spreads," Mr Jacques Kemp, NMB's local president, said last month.

Under the new rules, introduced after the official suspension of par-conversions in July last year, $150m is auctioned each month with rival bids establishing the level of discount. Half the sum is available for general use, while the remaining $75m is restricted to the special development areas.

Converted funds mnst remain in Brazil for 12 years and cannot be used to acquire majority control of a Brazilian company. Dividend and profit remittances are free, though, in effect, limited by tax constraints to some 12 per cent of capital employed each year.

So far, discounts have been as high as 32 per cent, dropping to just one half percentage point when insufficient bids were had for the special regions. Demand, which many sceptics expected to drop rapidly, has remained high.

"Analysts in New York ask every quarter what has been done to get the debt mountain down," Mr Michael Askew, a local director of Chase, says.

Another more sceptical banker argued, however, that many large creditor banks are now pondering the advantages of taking a major loss and getting out once and for all.

Despite a startling 60 per cent growth in the stockmarket in the first half, some 10 special conversion funds have proved a poor draw, with heavy tax rules restraining purchases to less than $10m.

But the most active, though secretive, debt conversion market, has been the informal one. Here, holders of debt have taken their maturities in cruzados, either to make investments or to shift funds out of the country, taking in the meanwhile a large hit.

Some of these activities — making use of Brazil's brazen "parallel" exchange rate — are of dubious legality though, so far, the Central Bank has intervened little beyond demanding transparent "routing" on funds.

This has been ordered in a bid to discourage the more blatant examples of arbitrage or round-tripping where creditors convert cruzados to dollars on the parallel market and buy back in the offshore secondary market for Brazilian debt to earn a margin.

Political pressure is now mounting to halt the informal trade, arguing that its monetary consequences have fuelled inflationary pressures and lie behind a leap in the parallel dollar premium to over 50 per cent above official exchange rates.

Whatever the reservations, both foreign and local bankers are certain that Brazil's conversion programme is here to stay. After all, having suffered net disinvestment of some $500m last year, the country can hardly pass up a possible $3bn a year in what are theoretically new funds.

"You can make a case that this will be the starting point for new growth for Brazil in the 1990s," says Mr Luiz Fernando Brandt, president of a new investment bank link-up between the giant Sulamerica insurance group and Scandinavian Bank of London.

"If you look at the longer term investment, this time might be the right one to come in — when things are cheap."

Ivo Dawnay

PROFILE

A likely contender

COULD A politician, whose misjudgement is widely held responsible for 21 years of military rule, seriously be a contender for next year's presidential race?

Janio Quadros

Janio Quadros, the 71-year-old mayor of São Paulo, whose 1961 decision to resign passed the presidency to his left wing deputy, Jango Goulart and created the conditions for the coup three years later, is now, once again, thought to be a credible runner.

If, as many believe he can, he stands and wins in next year's presidential elections, Janio (as he is universally known) will, in effect, succeed himself as the first directly-elected national leader since he last stood for the office.

The Quadros presidency, won with the highest-ever proportion of the popular vote, came to an end only months later. His explanation blamed unspecified "dark forces" which, he claimed, had thwarted his attempts to govern.

Friend and foe alike now agree that the decision was either a characteristic momentary fit of pique or a devious ruse, aimed to provoke a popular outcry to grant his presidency greater powers. But the uprising never came.

How then can Janio seriously be a contender again? In part, perhaps, because of his extraordinary charismatic powers as a vote-winner, demonstrated most recently four years ago when he succeeded against all expectations in capturing the São Paulo *prefeitura*.

Irascible, eccentric, frequently absent abroad in his beloved London, Janio's outsized personality is one of the few outstanding landmarks in Brazil's mediocre, not to say, featureless political landscape.

His supporters hail him as a can-do politician, whose self-confident, if autocratic, style demonstrates a distinctly un-Brazilian willingness to court unpopularity in order to do the right thing.

They praise his relentless war on litter and traffic offences; and improved transport. His critics reply that the mayor has been able to improve middle class São Paulo only by sweeping the city's real problems and abject poverty away to the out-of-sight periphery.

Janio has also infuriated the liberal left with a series of eccentric decisions, including the banning of homosexuals from the city ballet, and the institutionalising in a mental hospital of his daughter, Tutu, a federal deputy no less, after she had criticised his regime.

Will be run? The mayor insists that he will not, preferring to spend retirement looking after his sickly wife and ambling through the novels of Victor Hugo.

Most believe he is a certain candidate — preparing to present himself late when the right concludes that only he can stop the left wing populist, ex-governor of Rio — Leonel Brizola — from carrying off the prize.

Janio claims that years before he first won the presidency a fortune-teller warned him that he would win it twice, but he would fail to complete the first term, and be assassinated in the second. For this reason alone, he argues, he will decline.

Many believe, however, that a man who keeps a bust of Abraham Lincoln on his desk could not possibly resist acting out such a romantic script.

Ivo Dawnay

TRADE

US relations soured

BOOMING exports, combined with deft manipulation of the financial markets, are keeping corporate Brazil's head above water.

But the record trade surpluses, expected by some economists to near $19bn this year, have, in part, been overshadowed by concern over disputes with the US and preoccupations with a radical new commercial policy.

For São Paulo's exporters, accounting for about half of all Brazilian sales abroad, the short-term issue has been threats of retaliation by Washington in the form of punitive tariffs against selective industries.

Almost as soon as a long-running row over Brazil's highly-protected computer industry was, at least temporarily, resolved last Christmas, a new clash over patents and copyrights in the pharmaceutical sector emerged.

Fully aware of where political influence lies in Brazil, the Reagan administration has picked its targets for retaliation carefully. Almost all are São Paulo based.

Amongst those industries selected were civil aircraft (prime location, Embraer in São Jose dos Campos), footwear (the town of Franca) and several general indnstrial goods including air-conditioners — a product that just happens to be exported by Springer, which is headed by the chief of the state's industrialists federation, Fiesp.

If such targeting appears a little too unsubtle, it also seems to get results. On information technology and software, Brazil's foreign ministry reached a settlement after a howl of protest against the policy at home.

The drugs' patents action is more complicated, not only because just 15 per cent of sales are in Brazilian hands, but also because it has been brought by the US Pharmaceuticals Manufacturers' Association — less maleable than the Trade Representative's Department.

"We object to the US government using a domestic law in the international environment in defiance of Gatt," says Mr Benedicto de Sanctis, head of Fiesp's foreign trade department. "Furthermore, if they retaliate they should do so against the offending industry, not unrelated ones."

The likelihood is that this, too, will be settled in the form of longer-term commitments by Brazil to rethink. Together, however, the rows have soured trading relations, and generated a climate of uncertainty that has caused the loss of some orders and even created a significant backlash against federal heavy-handedness.

Beyond these local disputes, the biggest news this year has been the government's efforts to carry out a radical reform of trading rules. The new Industrial Policy — so-named because it aims to bring about a root and branch modernisation of industry — is, in fact, a wholesale tariff reform.

In force since July 1, the policy slashes average import tariffs from 69 per cent to 40 per cent and dispenses altogether with a 25 per cent financial operations tax.

Nevertheless, Fiesp and its members are now bracing themselves for the second phase of the trade liberalisation scheme — the reduction from 4,000 to 1,200 in the number of products under blanket import bans.

Behind the strategy lies a general acceptance of the World Bank's arguments that freer, debureaucratised trade and export-led growth will provide Brazil with the motor for growth and modernisation that the stagnating internal market cannot.

Ivo Dawnay

The textile industry is facing fierce competition

Exports increasingly important

THE TEXTILE industry – almost 70 per cent São Paulo based – provides a textbook cautionary tale on the disastrous impact of anti-inflationary "heterodox shocks" on an otherwise sound, if undercapitalised, sector.

One of the state's earliest industries, cloth and clothes makers suffered a severe battering and a rash of bankruptcies in Brazil's 1982-3 recession, but by 1986 were recovering well with total sales approaching $4bn.

The so-called Cruzado Plan upset the applecart. While a surge in consumer spending power sent demand into overdrive, the accompanying price freeze did little for profitability despite the strenuous efforts of often antique plant working at near capacity.

In the meantime, crucial export sales orders were frequently ignored in favour of the home market, damaging the Brazilian industry's reputation as a reliable supplier.

With the resurgence of recession and a 30 per cent crash in home sales in the first half this year, the foreign market has now become more important than ever – accounting for at least 30 per cent of the market for Brazil's 20-odd larger companies that dominate one-third of the sector.

"The Brazilians are now having a much more difficult time than before in the export market directly as a consequence of 1986," one foreign textiles producer based in Brazil observed last month.

Technological innovation, both in the developed world and among rival exporters in East Asia, has helped to undermine the country's comparative advantage of cheap labour, leading to gloomy forecasts last year.

A market report by analysts at Banco Boavista warned: "The increase in demand in the North American market has made investment there viable again.

"Consequently, the possibility of increasing our exports looks remote, given that protectionism is likely to increase to protect local industry."

In fact, Brazilian performance has been better than expected. Last year, total sales to the US increased to $1bn over the previous year and are predicted to rise to some $1.5bn by the end of 1988. Clothes are also taking a larger slice of foreign sales, doubling to $333m over the past three years.

As the high international price of cotton has taken its toll on the domestic market, the more efficient Brazilian manufacturers have noted that exports represent stability.

One São Paulo company, Staroup SA – the second biggest Brazilian jeans maker – has used its owners' Hungarian connections to make inroads into the East European market, using purchases of Soviet technology as an incentive for a joint venture with Hungarian interests.

The company says that under the deal the Hungarians would export jeans to the US market, which already takes 80 per cent of the company's $10m annual exports, in a deal expected to yield royalty income of some $5m a year.

"The Brazilian businessman of the 21st century has got to be increasingly international," Mr Andre Ranschenburg, Staroup's president, claimed. "The domestic market is too full of ups and downs."

Like other groups, Staroup is also planning to use Brazil's historic ties with Portugal to build a bridgehead in the EC, setting up an $4.5m factory with local partners in Oporto with 70 per cent of future output targeted at the EC market.

Last year, the industry sold some $260m to the market – a substantial increase on 1986 but still way below historic highs nearing $300m.

These successes are overshadowed, however, by concern over the increasingly backward technology still in use in the country. Lack of financing, accentuated by the February 1987 foreign debt moratorium, shortages of foreign exchange, and economic uncertainty at home, have all held up new investment.

If this were not enough, local producers of largely outdated technology are attempting to use the protectionist "law of national similars" to insist that wherever possible Brazilian equipment must be bought in place of foreign machines.

In theory, this should be substantially reduced both by the recent restoration of foreign short-term trade credit, the reduction of bureaucracy, and the cutting of tariffs.

However, Mr Benedicto de Sanctis, head of the foreign trade department at the Federation of São Paulo Industries (Fiesp), recently singled out textiles as a sector where disputes are likely to be most fierce over where new tariff levels should be set.

If the textile industry fails to win the right to shop where it chooses at reasonable prices, then its chances of long-term competitiveness against fierce foreign rivals look thin. That said, the speed with which the industry has recovered overseas after the Cruzado debacle is an impressive illustration of Brazil's nimble-footed corporate versatility.

John Barham

Osorio EE-T1 tank

ARMS INDUSTRY

The pinch of peace

PEACE MAY be something of a dirty word these days in São Jose dos Campos, the high-technology and arms industry capital of São Paulo state.

Nestling in a long valley on the highway between the metropolis and Rio de Janeiro, the city's unspoken worry is that ceasefires in the Iran-Iraq war and other conflicts could have serious ramifications for it's weapons-oriented businesses – many targeted on the Middle East market.

Experts estimate that supplying Iraq in the war has generated sales worth more than $2bn for Brazil since the beginning of this decade.

Of the three main military companies based in São Jose, only Empresa Brasileira de Aeronautica (Embraer), the state-owned aircraft manufacturer, has nothing to lose. Iraq has been a significant customer for Engenheiros Especializados SA (Engesa), a privately-owned tank and armoured vehicle maker, and Avibras, a private rockets and launchers maker.

Together the three companies represent, with assorted suppliers, the backbone of Brazil's arms industry which only a few years ago was proudly promising to be a major future player on the world stage.

This particular script ran as follows: Brazil would build up its success on the back of Engesa's highly successful armoured vehicles and Embraer's Tucano air force trainer to become purveyor of well-made but inexpensive weaponry to the armies of the Third World. Once established in volume it would launch an assault on the higher-technology markets.

Strong backing came from the military government which had been outraged by President Jimmy Carter's decision in 1977 to terminate military assistance agreements in protest over human rights violations.

"The fundamental reason for military support for the industry was not economic but political – a drive for self-sufficiency," Prof Renato Daquino of the University of Campinas asserts. "But Brazil's military spending is relatively tiny – about 0.5 per cent of GDP – so potential profits in export markets became an added incentive behind the state financial backing."

Ninety per cent of Brazil'e arms production is consequently exported. But promising early beginnings – with widespread, though unsubstantiated claims of annual sales of over $1bn in 1985 – have now slowed. Rivals exporters – Spain, India and even South Korea – have grown as suppliers of sophisticated equipment to a shrinking world market.

According to the Stockholm International Peace Research Institute (SIPRI), Brazil'a exports totalled $369m last year, while the armed forces' squeezed budgets restricted their purchasing to $424m.

For Avibras, the big money-spinner has been its Astros-II saturation rockets' system, the sales of which to four undisclosed countries (the vast bulk believed to be Iraq) have neared $1bn. This scale of business must now be expected to decline.

At Engesa, a company also active in numerous civil engineering and heavy vehicle projects, the future of its arms business is heavily staked on its new Osorio 45-ton tank and a 1,200 unit Saudi contract. Mr Jose Luiz Whitaker Ribeiro, the company's flamboyant chief shareholder and president, claims that at least 250 of these are now all but sold to Saudi Arabia.

But Mr Whitaker Ribeiro is noted for his optimism. The Saudi Arabians, who also tested the US Abrams M1, are believed to be anxious not to offend further their American allies following their massive orders from the UK earlier this year.

Engesa is, even by its president's admission, deeply in debt with a $65m Brazilian development bank (BNDES) loan still unpaid for failure to meet the bank's terms and conditions. Many commentators believe the company would have gone to the wall years ago, were it not for powerful allies in the military establishment.

Only Embraer, the state sector's model company, can boast a thoroughly healthy sales outlook, though it, too, labours under financial problems. The company has sold some 468 Tucano trainers, including a prestige contract with the UK's RAF, worth more than $1bn. France is interested in a 70-unit order, and Embraer's short-haul Bandeirante and Brasilia civilian commuter aircraft have also done well – particularly in the US.

The company's Achilles heel, however, could prove to be its joint venture with Aeritalia and Aermacchi of Italy to build one-third of the new AMX tactical fighter. Originally costed to retail at a persuasively cheap $5m, rising costs have now lifted this to a less attractive $12m.

Although sales are expected to grow by one-quarter to $600m this year, according to Mr Ozilio Silva, the chief executive, a new financing package of $183m is also needed to cover debt and broaden the company's capital base.

Ambitious military projects, like a joint venture with Engesa in a new holding company, Orbita, to build a 3,000km range inter-continental ballistic missile and a jet trainer, look set to go on the back burner.

Instead, Embraer will concentrate its activities on building its commuter aircraft range with a new 19-seater plane and stretching the Brasilia to 40-seats.

Analysts in Brazil believe that in today's international arms market, Engesa and Avibras might do well to follow their neighbour's example and give peace a chance.

Rik Turner

MOTOR INDUSTRY

GM looks set for van production

BRAZIL'S motor industry – for 30 years the dynamo for domestic industrial growth – is entering a new and decisive export phase.

On a visit to his São Paulo plant last February, General Motors President Robert Stempel let drop that the corporation was studying a project to use Brazilian capacity to build small commercial vans primarily aimed at the US market.

If, as is unofficially reported, the scheme has now won preliminary approval in Detroit, it will complete a cycle of development that has seen Brazilian auto production grow from supplier of cheap and cheerful models to the Third World to a not insignificant player in the US and European markets.

Major local competitors, Volkswagen and Fiat, the latter based in neighbouring Minas Gerais state, led the way last year. VW began exporting its Fox "subcompact" economy cars to the US and Fiat has been supplying Turin with the Duna, a saloon alternative to Italy's Uno hatchback.

Under the GM plan, the company would produce some 200,000 small vans a year, three-quarters of them for the US and the remainder divided between Opel in Europe and the local Brazilian market.

The project would come as the second half of a $1bn investment programme, the first phase of which ends with the Brazil launch of the Opel Kadett – its base platform doubling for the small van to rationalise costs.

The other player in the Brazilian market, Ford – now teamed with VW in a joint company, Autolatina – has elected Mexico as its source for economy models for the 1990s, preferring to gear up its truck operations that last year dispatched 4,000 Cargo models for the US.

The quiet, softly softly strategy of GM compares with considerable fireworks from the Autolatina group since its founding 18 months ago – a decision based as much on exasperation with the Brazilian government's heavy taxes and price controls as on economies of scale.

Last year the company hit the headlines when it successfully defied a government price freeze citing an earlier accord with ministers on free pricing in return for agreed export performance.

Now ex-Ford management is believed to be et loggerheads with ex-VW executives over the future of the Fox's sales to the US. These have already been cut back from an initially projected 100,000 to 66,000 after being undercut on price by Korean and Yugoslav models.

Domestic sales remain the key motive for carmakers to stay

But if it is export market that excites senior executives and the international industry, the domestic sales remain the key motive for the carmakers to stay in Brazil. The modest redistribution of income created by the ill-fated price freezing Cruzado economic plan of 1986 revealed a hidden demand that pushed waiting-lists to over a year.

Now, two years later, July sales – the year's best – of just under 70,000 units are 31 per cent below October 1979, which, nine years on, remains the industry's record month. Exports, meanwhile, have dropped a startling 30 per cent against June.

In a bid to revive foreign sales, the manufacturer's federation, Anfavea, has attempted to pressure the government to extend the due date on local VAT taxes from 30 to 90 days, in a bid to reduce the impact of inflation on working capital.

Instead, the government – under equal financial pressure – has done the reverse, cutting the collection period still finer to 20 days.

Carmakers must also now contend with 5,000 vehicles imported under new agreements with Argentina; the possibility of authorised imports of (admittedly heavily taxed) foreign cars; and the creation of new Export Processing Zones that will allow 10 per cent of their product on to the domestic market.

The industry blames an underperforming domestic market for its failure to increase its 1.2m-unit installed capacity, unchanged since the late seventies. It also cites federal and state taxes – now down from a staggering 90 per cent of retail price to a still remarkable 50 per cent.

But if these are the continual complaints of the foreigners, Brazil and, more particularly, São Paulo can congratulate themselves that the main objective of President Joscelino Kubitchek's decision to invite the multinationals to set up has been achieved.

While transfers of highly sophisticated technology remain limited, the carmakers have, as planned, spawned an impressive engineering base, in technical skills and management know-how.

Mr Joe O'Neil, a former president of Ford Brazil, now a consultant, claims that Brazilian workers in the industry compare favourably with their European and US counterparts for ability and commitment.

And in a celebrated local triumph, it was Metal Leve, a prominent São Paulo engineering group heavily committed to original research and development, which was chosen to design and supply specialist pistons to the Voyager, the round-the-world non-stop aircraft project.

Courtesy of São Paulo engineering, the plane made it.

Rik Turner

PROFILE

Corporate enfant terrible

AT 28, Ricardo Semler is not yet a Lee Iacocca nor an Akio Morita, though their ambitions beside his may appear modest.

An ex-rock musician, turned law student and Harvard Business School graduate, he might have appeared a fairly typical son of São Paulo industrialists when he entered his father's compressors to air-conditioning engineering company six years ago.

But his book of business wisdom – *Virando a propria mesa*, roughly, Turning the Tables – though marketed as being a Brazilian version of the US and Japanese business bestsellers, would cause some heartaches at Chrysler or Sony.

With 45,000 sales in just three months, Semler has overnight launched himself as a radical *enfant terrible* of Brazilian corporate life, attacking head-on years of unchallenged assumptions about management practice.

In essence his argument is as follows: Brazilian companies are inefficiently managed, anti-competitive, absurdly geared to family interests rather than growth. Without profound changes, they are ultimately doomed to extinction when Brazil, as it eventually must, opens its doors to international competition.

For those who missed the book, he followed up with a highly controversial interview in Veja, Brazil'e top newe weekly, that renewed his attack on the business establishment including São Paulo's powerful industrialists' federation, Fiesp, of which he is a member.

"Of all the country's social sectors, business is the most out of date," he said. "It grew in comfortable conditions with good profit margins and always under the protection of the State and has failed to recognise that today conditions are different."

All this could be treated as the arrogant rantings of a spoilt child if it were not for Semler'e remarkable success as a businessman.

Taking over his father's company at 22, he *immediately* sacked all family members and devolved a large portion of decision-making to shop-floor committees. Semler went on to build in motivation by turning over 15 per cent of pre-tax profits to the workers.

Managerial hierarchies were removed and executives are now used to advise workers on price, supply and other factors, leaving the committees to work out production schemes.

After two years of loss-making in which mistakes on products and acquisitions were made, Semco – now expanded to eight factories – is booming with sales up from $4m five years ago to $39m last year. Growth, averaging 9.5 per cent in seven years, has shot ahead to 40 per cent over the last two, despite the return of recession.

"Companies," says Semler, "are of very little use if their *major objective is making* money for their owners. We want to show that people can get gratification out of working and that businesses don't have to be dark and dreary and oppressive."

Such a message may take some time to catch on in Brazil's highly autocratic business environment. Bnt then it is probably hardly top of the syllabus at Harvard.

Ivo Dawnay

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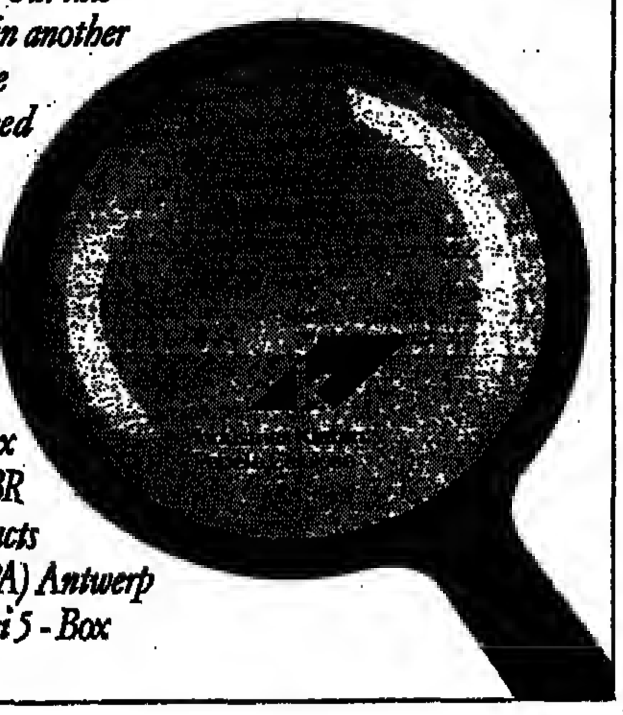

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The Agriculture Secretariat puts into practice programs aimed at the greater productivity of the São Paulo soil.

São Paulo, the leading agriculture and ranching state with the most up-to-date technology at its fingertips, is now concentrating on divulging this know-how statewide to guarantee even greater productivity from the land.

"This is the basic strategy being adopted by the São Paulo state Agriculture Secretariat, and is also the objective of Governor Orestes Qeércia," Agriculture Secretary Tidel de Lima says.

The plan to modernize agriculture and ranching activities is fueled by the fact that greater profits in the rural sector will *only be made* possible through hikes in productivity, since there is little unexplored land in the state to be added to the area already in use.

Of the 24 million hectares that make up the São Paulo territory, 17 million comprise of land that can be used for agriculture and ranching. Of these 17 million hectares, 14 million are currently being worked by farmers and ranchers. Excluding the forest reserves only a few isolated pockets of meadow and woodland totaling around 800,000 hectares remain unused, calculates Tidel de Lima.

In this context, and bearing in mind the almost complete occupation of São Paulo territory, a hike in output and revenue is possible only through policies that concentrate on making better use of the land by promoting technological know-how and substituting leen commercially viable crops with those capable of guaranteeing greater profits for the farmer.

Crop substituion is, in addition, the natural way to develop the state's agriculture and ranching activities, in view of current high land prices. The weighty volume of capital that must be injected in land purchases demands substantial returns, that is, high profitability. It is therefore imperative that the land'n production potential *be fully* explored. Thus vast expanses of land currently in use by ranchers should little by little be taken over by crops that offer a higher rate of return per hectare, such as export-oriented rubber and tropical fruit plantations. Such alterations become even more *natural* when taking into account that the São Paulo farmer is now much more of an entrepreneur than he was a few decades ago.

The entrepreneurial spirit may be more easily perceived in land lying north of the Tietê River, where the main orange, sugarcane, grain, rubber and other centers are located. Even though such a division is fairly arbitrary, it is possible to distinguish two forms of agricultural activities separated by the Tietê, which crosses the state in a southeasterly to western direction. Thers are, of course, exceptions, such as the soybean and wheat pinntetiese ctess to the *Paranapanema River banks, on the border* with Paraná state, where the use of technology is intensive; in neighboring areas, however, there is still a need for greater efforts to promote know-how and increase output.

In an effort to battle the backwardness that persists in certain parts of the state, the Agriculture Secretariat set up a program to divide São Paulo into zones to be analyzed in terms of soil and climate that will determine the potential of each microregion.

Planned hydrographic microbasin One of the priority programs

The first positive results of the program *have* been noted in the Vale do Ribeira region, one of the less developed in São Paulo. As a result of studies, four sectors have been specified as investment targets. Fish farming is the first; for this purpose the Secretariat is negotiating contracts with countries that use high technology in their marine and freshwater fishing, such as Chile, Peru and Mexico.

Another possibility is freshwater shrimp farming, for which an accord with Israel is expected to provide the *technology to bring output to an industrial* scale. Ginger, banana and tea farming are also potentials for the region, as well as *buffalo* ranching. The state government intends to attract processing industries for these products while at the same time developing a program to register the land and improve roads in order to provide greater security to farmers wishing to invest there.

Another important program for the Quércia government is that of the hydrographic microbasins, which focuses on organizing and integrating over the next five years agricuheral production in 2,000 hydrographic microbasins spread over 6 million hectares. The program's main concern is the handling and conservation of the soil and recovery of land bordering waterways.

Results would, however, be limited if at the same time the state government weren't concerned with needs arising *from the program, such as greater de*mand for inputs and storage space to handle the extra output.

For this reason the Agriculture Secretariat is already developing a storage project that involves the construction of units, in association with municipal governments, to answer to the additional needs of the communities: 121 warehouses are being built and silos are being set up on rural properties. On a regional level, the construction of collecting silos with a 40,000-ton capacity each is being projected.

Heavy investments are also being made by the state government in genetic seed engineering. Tidel de Lima explains that the state is trying to become as competitive as private seed-producing companies. Efforts have been rewarded by a hike in seed availability from 600,000 sackfulls last year to 1,115 million this year, a volumn that is expected to grow to 1.7 million bags in 1989. Expanding output will allow the government to regulate market prices as well as continue being *leading provider of those seeds that* haven't yet attracted the attention of private enterprise, such as peanut, bean, cottoe and rice seeds.

The Secretariat is seeking associations with foreign governments in projects including seed development, storage, and crop mechanization and, in addition, is also interested in attracting multinationals that can provide the know-how needed to implement modern agribusinesses in the interior of São Paulo, Tidel de Lima says.

The Quércia government has chalked up several victories in respect of animal and vegetable defense, such as the campaigns to fight *hoof-and-mouth* disease. Whee taking over office in March 1987, the administration came face to face with a worrisome problem of spreading hoof-and-mouth disease, with 324 centers of infection and a rate of vaccination lower than 60% of the hard. Today, the number of centers has been slashed to 19 and the *vaccination rate hiked to 80%*.

But it isn't just hoof-and-mouth disease that the government plans to combat. Bearing in mind the need to educate farmers and ranchers and make them eware of their role as citizens responsible for the health of the community, the government is distributing pamphlets containing practical explanations such as how to vaccinate cattle, recognize the presence of disease and how to deal with the discovery of sickness. At the same time, with the help of veterinarians from all over the state, *the government hopes to keep and up-to-*date record on diseases found in São Paulo herds and is encouraging the recreation of municipal slaughterhouses to substitute existing clandestine butchers.

In the same way, the government is reorganizing its fight egainst citric cankers, which affect São Paule's valuable orchards. In this year alone, 40,000 orange trees were wiped out. The Secretariat plans to bring campaigns under municipal control and set up and *indemnity funds* for *producers who have* had their orchards annihilated.

The Agriculture Secretariat had to first of all restructure itself before putting the programs into effect. "The Secretariat opened up and started working in association with municipal authorities to better reach producers." Agriculture councils were created in the various municipalities, made up of producers who organized small discussion groups to implement the programe. As a result, Tidel de Lima asserts, demand for Secretariat services doubled and it is today gathering information to better equip itself to attend to the requests.

State government projects to eliminate pockets of technically backward farming and ranching operations can only progress if Brasília undertakes to adopt new financing policies for the rural sector, Tidel de Lima says. He doesn't advocate loans without monetary correction, but *defends linking correction to the variation* in agricultural product prices instead of to fluctuations in the OTN Treasury bond.

If the coin used by the producer to pay off his bank loans is his own produce, agriculture will have a steady context in which to work that will provide the stimulus necessary for new investments, the secretary believes.

STATE OF SAO PAULO 6

The countryside is enjoying prosperity

World citrus centre

FARMERS IN São Paulo, like farmers anywhere, are fond of complaining. But, for the layman, it is hard to understand what exactly there is to gripe about on the rich soils and balmy climate of this fertile state.

Anyone who has cruised in the back of a pick-up truck down the smartly asphalted 100-odd kilometres from Baretos, through Bebedouro to Riberao Preto in the north of São Paulo state, has witnessed So marked has been the growth that migration is now switching from the metropolis to country towns, attracted by wages of some $200 a month — four times the national minimum and therefore formidable purchasing power in Brazil.

Agricultural production in 1985 (the state's latest comprehensive figures) showed that a rural population of 2.5m produced some $2.5bn in sugar cane, coffee, orange juice, meat, milk and maize.

After two record harvests in succession and a sharp rise in world commodity prices these figures must now be nearly double.

As Professor Roberto Macedo, dean of economics at the *University of São Paulo* put it: "You won't see any evidence of an economic crisis in the interior."

Alongside the agricultural prosperity are springing up downstream industries as farm *machinery salesmen, fertiliser* factories and, later, services pursue the green wealth.

São Paulo state has benefitted from almost all Brazil's agricultural booms with the obvious exception of rainforest rubber. Sugar cane planters, originally mostly north-eastern, have found the climate produces a fuller crop in the state.

The migration was boosted by the adoption of Brazil's cane alcohol programme which, after the oil crisis struck, has substituted more than 70 per cent of the nation's cars with alcohol fuels, in a bid to cut costly oil imports.

The strategy — along with close to $3bn in often federal investment — has made the state the nation's largest sugar producer with a record 72m 50kg sacks last harvest, nearly half the country's total.

But there are also constant changes on the land. Long-traditional coffee, valued at $470m in 1988, has proved vulnerable

> **So marked has been the growth that migration is now switching from the metropolis to country towns, attracted by wages of around $200 a month**

to frost in many areas and is consequently giving way to the crop à la mode — oranges.

Frozen juice is now one of Brazil's biggest export earners with at least $1.2bn in foreign *sales forecast for this year* — a 44 per cent increase over 1987.

Rising world demand for juice and frosts in Florida have kept prices spiralling upwards, with the state now claiming some 150m trees are in production.

Despite all this bounty, however, the farmers still find grounds for complaint — and some of it justified.

In the orange sector, for example, two years of erratic rain patterns have held harvests at 84m tonnes, which, though keeping prices high, have prevented Brazil developing new markets. There are now fears of a serious drought in the coming 1988/9 season.

In spite of the size of its production, São Paulo's orchards are only half as productive as citrus regions in other parts of the world. Dry weather is only part of the explanation.

For years, the powerful juice processors imposed low prices on the region's small orange growers. In Bebedouro, heartland of the industry, half the 2,200 growers have fewer than 5,000 trees.

As a consequence, the small men skimped on fertiliser and hired less labour, provoking serious soil erosion, infestations of weeds, pests and disease.

After months of disputes, the two sides finally reached a compromise agreeing to peg payments to Chicago market prices. But the rows continue with the small producers this year issuing a new list of complaints — many most probably justified — against the giants on weighing practices and processing costs.

Both coffee and sugar producers have worries, too. The former are concerned over the September 1989 expiry date for the International Coffee Agreement which determines Brazil's large slice of the world market.

US interest in the agreement appears to be waning. If it is not renewed prices could fall.

Meanwhile, sugar growers, overly dependent on the alcohol programme, watched in horror this year as the government, under pressure from the state oil company, Petrobras, began for the first time to shrink the subsidy to the fuel, thereby lessening the incentive to car owners to buy alcohol-powered vehicles.

Such austerity measures are expected to be substantially increased as the government's austerity programme and budget cuts bite. Wheat flour subsidies to consumers have already been hit this year, and as many as five other subsidies are also expected to face the axe.

Deputy Victor Faccioni, a congressman and lawyer, has warned that in his southern state of Rio Grande do Sul the government's failure to inflation-adjust minimum farm prices while index-linking the costs of cheap credits threatens "the greatest crisis in the history of Brazilian agriculture".

Mr Fabio Mereilles, president of Feasp, a federation uniting 230 *São Paulo farmers' unions*, is equally apocalyptic. "We accept that the government is trying to cut its spending, but it is also taking more than is reasonable from the sector," he argued last month.

"Thousands of farmers who took out loans during the Cruzado plan when interest was cheap now face bankruptcy. That could strangle production and create a crisis in supply. We accept the need for market forces but we want the same treatment as industry."

There is undoubtedly some justice in these demands. But, besieged by inflationary pressure to cut spending, the government's room for manoeuvre is limited. Most commentators believe that, as so often in Brazil, some kind of compromise will be reached.

São Paulo's blooming farmland will not, in any case, disappear. But there is understandable fear among small highly-geared farmers that if adequate finance dries up, they will have to watch as their stake in the green bonanza withers and the giant wholesalers gobble up the scraps.

John Barham

Formidable purchasing power has followed the green bonanza

PROFILE

The man with the golden voice

SILVIO SANTOS is the archetype of the Paulista dream of success: with a *golden voice as his only capital*, he has built a $150m communications empire out of the battered suitcase from which he began selling goods on the street at the age of 14.

"10 per cent inspiration and 90 per cent hard sweat"

Though Mr Santos, whose real name is Senor Abranavel, began life in Rio as a street trader and voice for radio commercials in the mid-1940s, his arrival in São Paulo in 1958 marked the start of e career of 30 uninterrupted years as a television presenter. His group Sistema Brasileiro de Televisao, with 45 associate broadcasting companies, occupies "*undisputed leadership of second place*" with an audience of 28 per cent, rapidly closing the gap with Rio's media mammoth Globo.

The Santos broadcasting era began with a loudspeaker *aboard a Rio ferry but now* reaches 20m homes in Brazil, and is rapidly outgrowing its reputation for bad taste and tinsel through investments in journalism and quality foreign films.

This year the golden voice threatened to give out and after an operation Mr Santos, 57, was condemned to a broad silence by a Miami throat specialist. Though he will progressively withdraw from his Saturday TV game show that is *SBT's flagship, the empire will* surely survive and thrive because of its diversity.

Formed of 33 companies and employing 15,000 people, the group has interests in medical insurance, car distribution, egribusiness, department stores and the capital markets. But the key to the group's success is the *Bau da Felicidade* — e unique combination of Christmas savings club and lottery, profits from which provided the $60m capital for SBT's studios since the network was founded in 1981.

Mr Santos took over the bankrupt Christmas club soon after arriving in São Paulo to try his luck as a radio announcer and circus entertainer. Through relentless pro*motion first on his radio* and then TV shows, he made the Bau a success. He tapped a huge working class market which stood to win cars and even houses by buying year-end gifts on monthly instalments. SBT has moved up market since then to appeal to middle-class consumers and the latest Santos venture is e $60m Disneyworld to be built in São Paulo with foreign capital.

The never-modest Mr Santos — who controls 98 per cent of group shares — ettributes his success to "10 per cent inspiration and 90 per cent hard sweat". But he has also forged a group of trusted senior executives out of former bootblacks, office boys and cameramen whose talent he spotted over the years. The company once depended entirely on Mr Santos' voice, but now SBT is responsible for just 15 per cent *of the conglomerate's $50m* monthly turnover.

This year Mr Santos campaigned to become São Paulo's mayor — a *traditional springboard* to the presidency. Though he was unable to find a conservative party willing to *throw its weight* behind his lack of political experience, Brazil's "great communicator" has by no means retired from the political arena.

Richard James

PROFILE

Second generation farmer

Elizabeth van Schelle

THERE IS a distinct touch of the Karen Blixen about Elizabeth van Schelle, though she is Dutch not Danish and farms cattle in the São Paulo hill country, not coffee in the Kenyan savannah.

In a curious way, however, it is her untypicalness — nationality, gender, age — that makes her as good a representative as any of São Paulo's second generation immigrant farmers.

When her father, Jan, died nine years ago, Miss van Schelle — then just 24 — took over management of the 1,100-acre farm of 500 Nelore breed beef cattle and 60 crossed Arab horses, together with its eight hired hands and their families.

"Things were actually quite a lot easier then," she remembers. "The economy was going well, horses were selling easily, there was no labour problem."

In the interim years almost everything has changed in the countryside round Campinas. The rapid expansion in the city and local ceramic industries have stolen away labour, while fiercer competition in cattle and the more recent *squeeze* on middle-class spending power has cut back demand for horses used as pets or for sport.

With soaring inflation the only predictable element in the *Brazilian economy, beef farming*, now is more of a game of mental chess, with farmers constantly juggling in their minds the relative values of cattle on the hoof against cruzados in the money markets.

"Usually I sell cattle at 500 kilos, but when interest rates are high and beef low, I'll sometimes get rid of them as low as 420kg," she says.

Miss van Schelle has all of Karen Blixen's guts when it comes to brazening out Brazilian country machismo at livestock sales. "When you go to sales, specially in the west like Mato Grosso or Goias, the men check you out to see if you understand the business," she says. "But once they see you do, its easy to stare them in the eyes and get the deal you want."

When it comes to the future of Brazil and her farm, Ms van Schelle, who was born in Campinas but educated in the Netherlands, reveals a pragmatic, unsentimental farmer's philosophy.

"I like *São Paulo. Its* very international and much freer than Europe, but I don't feel either Dutch or Brazilian — I'm only here because of the farm."

Ivo Dawnay

The most striking victims of social and economic misery are the children

The dark side of prosperity

UNDER THE concrete flyovers homeless figures huddle around open fires; at the traffic lights squads of ill-dressed children beg coins from waiting cars. These are some of the millions of urban poor who mark the dark side of São Paulo's industrial prosperity.

Through the 1970s the promise of industrial jobs acted as a powerful magnet for migrants who flooded into the metropolis, swelling the population by over 5 per cent a year, and stretching the already-precarious infrastructure beyond breaking point.

Excluded from the city centre, these new arrivals settled in the industrially-polluted *periphería* – a 20 mile wide ring of precarious housing and *favelas* or shanty towns built on unclaimed or invaded private land. More than half the city's population lives in housing below any acceptable standard.

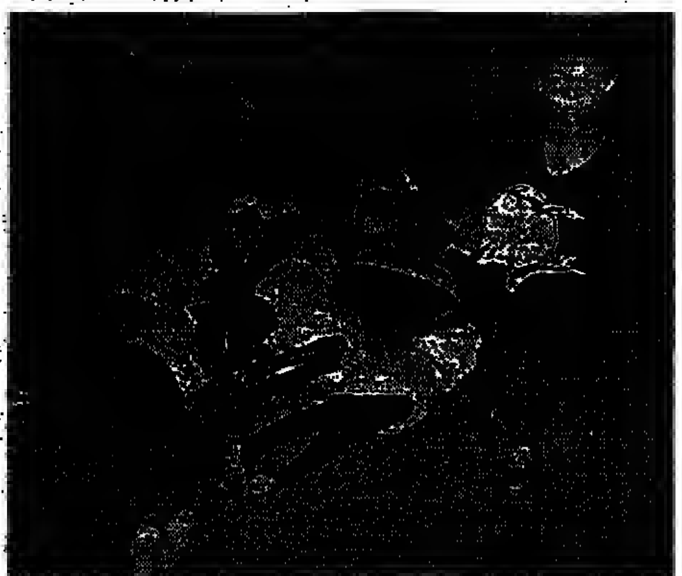
The most striking victims of this social and economic misery are the children. Rather than face domestic violence or long hours locked up without food while their parents work, many escape to the streets, drifting into prostitution or increasingly violent crime.

At least a million children are working illegally in São Paulo and many of the street children have never experienced school or any form of normal family life. The state orphanage, *FEBEM*, to which juvenile offenders are sent, has become a synonym for alienation, violence and Dickensian conditions.

In just over a year the state government has made inroads into the problem with a highly creative welfare programme that has already helped almost 100,000 needy children and earned the admiration of Unicef. The city's central squares are no longer filled with gangs of ragged children, and administrators are starting to tackle the wider problem of keeping children at home.

"By educating children that a large part of society would like to see behind bars, we are breaking important taboos," said Alda Marco Antonio, who heads the child welfare secretariat.

"Ours is a new model based not on aid but on justice and human rights. The first problem has been to persuade adults to stop being afraid of these children," he said, describing social attitudes towards children as "outdated, prejudiced and repressive".



Children sleep near warm air vents

The government admits its emergency programme is designed to help the most handicapped, including chronic glue-sniffers, and that it can *never entirely stop the flow of* abandoned children for whom the street means freedom or even survival.

But it can persuade large numbers of youngsters to stay close to home and offer them education and health. An abandoned park on the city's outskirts has been turned into a day care centre where children are brought by bus. The children are also attracted by circuses in the *favelas* that offer food, medical care, schooling and even training as circus *artistes. A group of these children* will soon perform in Europe.

Helping street children is a major political priority for the Quercia administration, which through a system of hostels and day care centres, has rehabilitated 1,500 youngsters, 120 of whom have permanent jobs in state firms. So far, says Ms Marco Antonio, businessmen have been slow to come forward and offer any help.

Though children may be offered some hope, their parents are condemned to poverty in which standards of housing and basic sanitation could only improve if large areas of the city were demolished.

In periods of economic recession their discontent has exploded in the sacking of supermarkets for food. Frequent delays on suburban train services that result in a day's lost pay, have led to the burning of carriages by despairing commuters.

"Our economic model is perverse – as it creates wealth, it also creates poverty," says Plinio de Arruda Sampaio, a congressman representing São Paulo for the PT Workers' Party. He attributes urban misery to "the extreme concentration of wealth in rural areas which drives millions of dispossessed into the city".

Mr Sampaio says extreme poverty is no help to his left-wing, trade union-based party, *which flourishes alongside the* motor industry and other areas where industrial capital is strongest. In the *favelas*, apathy and disorganisation of the poorest make them vulnerable to traditional populist leaders.

"Unemployment is as high as in developed countries, but we are without social welfare mechanisms," said Walter Barelli, director of the trade union-funded economic research unit DIEESE. "Unemployment has a discriminatory nature too: it's the women, blacks, children and migrants who are without jobs."

Though over half São Paulo's work force are migrants, the promise of secure jobs evaporated with the recession of the early 1980s and so did the migratory flow. The city now grows by just over 2 per cent yearly. But as Brazil's population shifted massively towards the cities, there was no way back to the countryside.

The *favelas* – close-packed groups of shacks built from galvanised tin or waste wood, frequently without running water or drainage – form islands of violent crime and high infant mortality. But they are also fertile ground for grass roots organisations uniting residents in demands for better living conditions.

The federal government says there are 4.5m *favelados* in São Paulo, though local officials say this total includes those living seven to a room in sordid boarding houses and low quality housing, so the true number of shanty town dwellers is closer to 1m. "That's still shocking when you consider the number was 100,000 in 1977," says a sociologist.

São Paulo's dispossessed have little to look forward to in a world without unemployment benefit; statistics show there are only 7m regular jobs in a city that by 1990 will have a population estimated at 17m. Unemployment in the outlying regions is double the official average of 10 per cent.

Their plight may be desperate, but São Paulo's poor do have some access to health care and basic sanitation. Above all, they can partake in a southern version of the American Dream available almost nowhere else in Brazil: the myth of upward social mobility.

"JK Galbraith said that the *favelados* enjoyed better conditions than rural day-labourers and he was right," said Vinicius Caldiera Brant, a senior researcher at the independent CEBRAP institute and author of several key studies on urban poverty. "These migrants enjoy equality of life still denied them in the country and those who come to the city are usually the most successful in their places of origin."

Richard James

Manoel's life on the street

Spirit of enterprise

WITH THE fountains of the city's central square as his bathroom and a pavement-level grille for his open-air bed at night, Manoel Jorje Soares Santos, 14, has nowhere to go but upward in São Paulo's urban struggle.

Lean, undersized, but not wholly unfed, thanks to the Catholic church groups that periodically round up the city's abandoned children for meals, Manoel's two years of schooling sit lightly upon him. Like almost all the other boys who shine shoes, sniff glue, or pass their days in the square looking for opportunities, Manoel is of mixed racial origin.

Two months ago he abandoned a broken home – almost all of the children like him have been driven away from precarious homes by domestic violence as their mothers substitute absentee fathers for a new partner. For three hungry days he walked to the metropolis up the twisting 50 mile road from the port city of Santos in search of a new life.

"I came here because I thought things would be better here. Now it all depends on me," says Manoel, who passes his days sunbathing on a bench in the Praca da Se, keeping a watchful eye on the groups of policemen whose job it is to round up delinquent minors by the lorry-load.

Manoel is determined to be different to the thousands of other boys who began picking pockets in the square, drifting through FEBEM, the state's welfare institution, and then into violent crime. "I've never been to FEBEM, and I don't want to," he said. "I've never so much as looked at a wrist-watch or a gold chain and I stay well away from the boys who are picking pockets. I've never begged for money at the traffic lights either."

Dressed only in ragged shorts, Manoel said that other boys had stolen the shoes and trousers the padres had given him. "I need help – anything anybody can give me. One day I'll go back to Santos when things get better," he says.

But São Paulo's spirit of enterprise had already hooked a newcomer; after trying for a job at a supermarket, Manoel now earns $1.25 a day collecting waste cardboard and paper for recycling. His dream is to become a construction worker.

R.J.

São Paulo's Japanese quarter

IMMIGRANTS

A Japanese year

TAKE A look at any bus queue in downtown São Paulo and you are as likely as not to hava a racial mixture as diverse as a choir in a Coca Cola advertisement.

Aside from the early Portuguese and African immigrations, the state now claims to house tha biggest concentration of Italians outside Italy (and that includes New York), West Germany's largest off shore industrial base, and to be home to a large and harmonious communities of Jewish and Lebanese origin.

But 1988 has been the year of the Japanese.

The first 800 immigrants arrived 80 years ago off a crowded tramp ship in the port of Santos.

But instead of the paradise they had been promised, they found barely digestible food, an incomprehensible language and arduous ill-paid labour on coffee plantations – often replacing slaves, liberated only two decades earlier.

From such inauspicious beginnings, Brazil's Japanese community has risen to an estimated 1.15m, the majority living in São Paulo state. Whereas few of the original settlers achieved rapid success or even mastered the language, they at least ensured that their puny savings were dedicated to their children's education.

Today, their *nisei* and *sansei* – children and grandchildren – make up an astonishing 15 per cent of the students at the University of São Paulo, with their teachers reporting them frequently dominating the top of the class.

"At first the relationship with Japan was not very strong as the original settlers came with little money and lost contact," Mr Toshiro Kobayashi, president of the Bank of Tokyo, observes.

"But the second wave after the war was wealthier and technocratic. Today, Japanese Brazilians are very pre-eminent in the liberal professions like medicine, economics and law."

Cotia, South America's largest farm co-operative, remains perhaps the most enduring corporate monument to the early farmers. But Japanese origin immigrants have also moved into sectors from fertilisers and chemicals to clothes, electronics and services – the latter most prominently in the Banco Sul America.

Unlike the Lebanese and despite their commercial success, they have yet to make a major impact on politics, preferring to take backroom roles as economists or consultants.

Less unexpected is their reputation for diligence and honesty. *O Japonese e garantido* – literally, the Japanese is guaranteed – is a common expression of confidence derived from this.

But perhaps the most remarkable characteristic for a race with a reputation for a somewhat closed if not élitist culture, is the eased with which more recent generations appear to have adapted to the country's lifestyle.

Frequently they tell of how their parents only spoke Japanese while they themselves speak Portuguese with just a passive understanding of the old language. That may hold the explanation.

Mr Isão Sawaka, an historian and journalist, believes it was this linguistic shift that played the critical role in integrating the community with its host nation.

Indeed, he claims, there is some resentment among those working for large Japanese corporations about a perceived "racial" prejudice by expatriate bosses, manifested in lower pay rates and promotion chances given to those locally hired.

Not all *nisei* feel that their parents' sacrifices were worth the struggle. With inflation once again sweeping through the economy some of the less well off like 40 year old chauffeur Yueke Tanaka feel their Brazilian birthright to be a poor swap for the booming lifestyle of those who stayed behind in Japan.

Nevertheless, to most Brazilians the meeting of the predominantly, light-hearted laid-back Afro-Latin culture with the industrious oriental one, has had beneficial effects for both populations, and for society at large.

Celebrations of the eightieth anniversary of the first immigration have been fulsome, serving to remind all Brazilians of the Japanese contribution to the national family and to make the immigrants' heirs more aware of their citizenship.

Mr Sawaka believes the transformation of the once almost exclusively Japanese district of Liberdade into a more generally oriental one, incorporating Chinese and Koreans, underlines the community's growing miscegenation elsewhere in the city.

He himself frequently returns to Japan for work but, like many of his Japanese-Brazilian friends, would not dream of living there permanently.

"There's just no space," he points out. "There I would live in a kitchenette, here my house is the kind that in Tokyo only the president of Toyota could afford."

Ivo Dawnay

The arts are developing most interestingly underground

Appetite for popular culture

SAO PAULO'S current cultural explosion is the *lambada* – a lithe, lascivious Caribbean dance that first arrived in the 1930s and was banned by the than-government as obscene. Now new dance halls sprout nightly as the city's hardworking couples rediscover the pleasures of dancing cheek to cheek.

The city's extraordinary appetite for absorbing, adapting and throwing up new strains of popular culture reflects its far-flung immigrant roots, and acts as a reproof to the planners of "establishment culture".

Superficially, São Paulo is a philistine city that trails behind Rio in terms of cultural output. Underground, however, things are happening.

There was a lack of a prestige showplace for performing arts during the three years the Municipal Theatre – modelled on the Paris Opera – remained closed for repairs. Though the city has over 50 theatres and two large cultural centres, visiting ballet companies or symphony orchestras never took to the bleak conference centre that was offered as an alternative and the city lost its place on the prestige cultural circuit. Only now are the city's businessmen planning to finance a new cultural venue.

"Cultural output has been strangled by the lack of space – there's potentially a huge public but almost no infrastructure," said theatre director Caca Rosset. "It's incredible that a city of this size can be so culturally debilitated."

Bnt he said there was an alternative to the pasteurised repeats of Broadway shows or the short-lived fringe prodnctions. Ubu, a show by his Ornitorrinco group, had been seen by 250,000 people during a two-and-a-half year run.

"Because of our migrant roots we are very cosmopolitan," said Mr Rosset, 35. "We're like cultural cannibals – we swallow up and transform anything we can get our hands on to make art."

'We're like cultural cannibals – we take anything to make art'

Like the *lambada*, musical successes may defy the expectations of record companies or impresarios who bring foreign artistes such as Tina Turner or Sting to perform. In São Paulo's record shops, the big selling albums are all country music, responsible for a third of the industry's turnover. Famous as far away as China, singers Milionario and Ze Rico assure pre-release sales of at least 500,000 records.

Since São Paulo lost the Vera Cruz studios in the 1950s and its film industry relapsed into soft-core, Brazil's cinematic reputation shifted to Rio. Despite low budgets, São Paulo's "nouvelle vague" cinema is slowly reversing that. The city was the location for two of film-maker Hector Babenco'e early international successes.

Though many predict a coming boom in Brazilian cinema, the difficulty is identifying consumer taste in a country where almost all are under the age of 30. "People don't know how to consumer culture here and you can't say we have a real entertainment industry," says Aimar Labaki, film and theatre critic of the leading daily, Folha de São Paulo. "No oue kuows exactly who the public is."

São Paulo's élite cultural shop window is the Biennal, which since 1950 has emerged as a close second to Venice, bringing together Latin, European and American artists in an immense pavilion visited by over 250,000 people.

Next autumn Biennal's president Alex Periscinoto, plans to extend culture's reach further and produce a more characteristically Brazilian show. "The élite public is always guaranteed but we plan to issue special invitations to factory workers and bus them in during the working week. The idea is to bring in people who don't look at pictures," said Mr Periscinoto.

The city's wealth maintains Brazil's only functioning commercial art market, with over two dozen galleries, some of which are struggling to win reputations for their artists in Europe and the US, consolidating recent exhibitions of Brazilian art in New York and Paris.

"This is the only place where galleries invest money and are creative, but the madia boycotts the idea of culture in São Paulo. That's why the best things happen underground," said Regina Boni, whose Galeria São Paulo has sold over 5,000 modern Brazilian paintings in recent years.

Some of São Paulo's industrial money has filtered into the art world through tax-deductible corporate sponsorships provided for under a recent law introduced by President Sarney. The "Sarney Law" has been used for thinly-veiled advertising and even to underwrite a Julio Iglesias concert, but it has spawned a minor cultural renaissance in São Paulo.

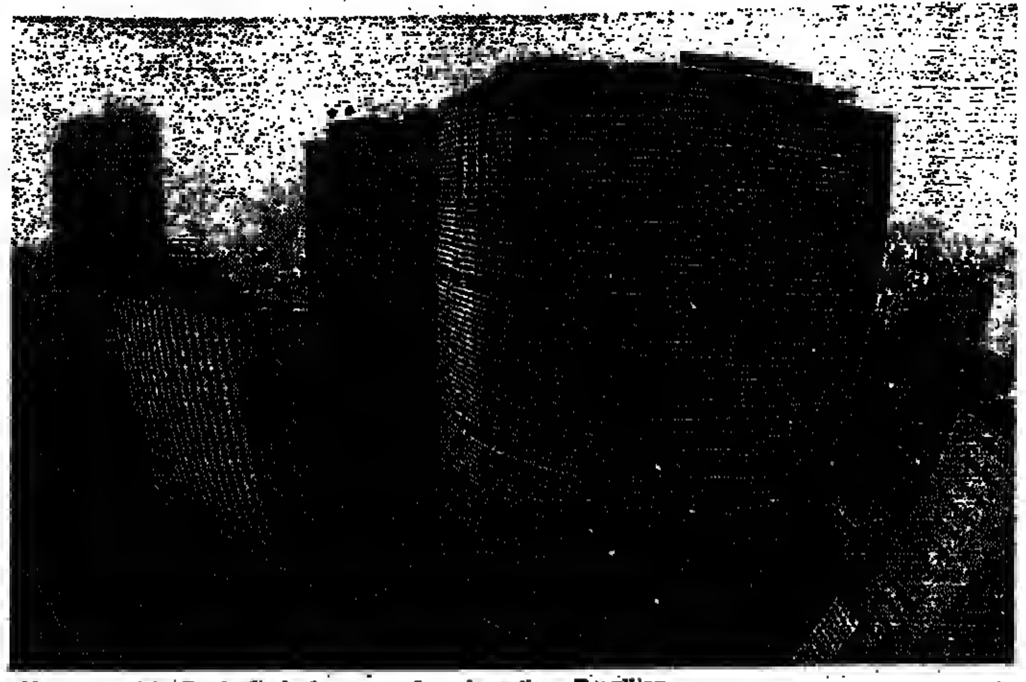
Mario Gallo, whose company Axis organises sponsored art exhibits and who is also a director of the city's Museum of Modern Art, says the greatest benefits of cultural sponsorship have been reaped by stage shows and art publishing. But as the fiscal benefits for companies are limited, he said the hoped-for cultural revolution has so far been "more of an idea than a reality."

Luiz Paulo Baravelli, 45, is one of São Paulo's best-known painters. He is phlegmatic about the city's cultural influence, but is unwilling to move away. "I've found an ecological niche here as a big fish in a small pond. Brazilian art will only become important after the Third World War."

Richard James

Living in São Paulo

Chicago with a bit of Milan and Detroit



Above all, São Paulo feels far more American than Brazilian

NORMAN MAILER, the American novelist, once woke up in a São Paulo hotel room with a hangover and asked what on earth he was doing in Chicago.

Such an error is commonplace. Indeed, one of the most indulged-in conversational gambits among expatriates at São Paulo cocktail parties is attempting to define the place in terms of other cities.

When researching this mercurial question I made the mistake of ringing a particularly loquacious Texan friend just as urgent phone calls from abroad began to flood in on the other line.

"Well," he drawled, no doubt easing his cowboy boots up on to his desk and loosening his bootlace tie. "It's bit like Chicago, but it's also a bit like Milan and Detroit. Yes, Chicago with a bit of New York and Milan, but without its lake, or the buildings, or the blues . ."

I hung up so discreetly that he may still be in his reverie now.

In fact, São Paulo is like everywhere and nowhere at all. Its relentlessuess, its urbanness, its traffic, its pollution, its bustling busy-ness, reminds one of Batman's Gotham City – an almost cardboard cutout of what Everycity, USA is meant to be like.

For, above all, São Paulo – *downtown and in its affluent* suburbs – feels far more American than Brazilian. It shares not only public squalor and private wealth, but also the ambitious dream of the citizen's right to the pursuit of happiness, more often than not confusing happiness with money.

Unlike the British who tend snootily to resent those richer than themselves, Paulistas, like Americans, plan that one day they will be wealthier still. Sociological studies show that immigrants from the poorer parts of Brazil tend to be the achievers in their original societies, and, though every one of them promises eventually to go back – few do.

"This is a city of urban conquistadores," an urban planner observed recently, "fuelled on greed".

For Brazilians, it is virtually impossible to discuss São Paulo without reference, disparaging or complimentary depending on the speaker's prejudice, to Rio.

To the Carioca – as Rio residents are called – São Paulo is a gloomy smog inhabited by workaholics, unable to appreciate the true meaning of a balanced life – balanced, preferably, *between bar, beach and bed.*

For the Paulista, Rio is little more than a resort with pretensions: nice enough for a weekend perhaps, but not, as General Charles de Gaulle is alleged to have said of Brazil as a whole, "serious". Indeed, São Paulo claims that when the first carioca does a decent day's work the outstretched hands of Christ on his Corcovado mountain top will begin to clap.

Such rivalry between Brazil's two great cities is inevitable, but they could hardly be less alike. The comparison is not irrelevant to expatriates, however, some of whom will have had the choice as to where to live.

Most, though, will have had that decision made for them at their head office back home, where, even from afar, it is clear that the trend towards São Paulo is turning into an exodus.

Today, even in service sectors like banking where Rio long retained a certain stake, the draw of the skyscrapers on Avenida Paulista is proving irresistible.

But those vice-presidents and regional reps now packing their bags for a three-year tour in the southern hemisphere's greatest metropolis should by no means despair.

São Paulo is short on samba, but there are pampered residential suburbs like the Jardims or Morumbi that compare well with the Beverley Hills. The sporting and night clubs are varied, there are countless good restaurants and the social life is fast and furious. At weekends, you can drive to São Paulo's Tyrol at Campos de Jordao, or head for Ilha Bella on the coast. You should not be bored.

But above all, for those that like it, there is also a racy drama to the city that sometimes seems determined to mimic a 'B'-movie version of Dante's Inferno. Once in a taxi from the airport, I passed an unfinished tower block with its top floors in sheets of flames against a livid night sky. The driver *didn't think it* worth a word.

A few weeks later another burnt out skyscraper was reduced by a local engineer with some well-placed dynamite to a neat pile of rubble to the polite applause of the onlookers.

Even in demolitiou, the crowd appeared to be saying, we unflappable, efficient Paulistas are indisputably the last word.

Ivo Dawnay